CITY OF SYDNEY

9 December 2024

At the conclusion of the Environment and Climate Change Committee

# Equity and Housing Committee

## Agenda

1. **Confirmation of Minutes**

2. **Statement of Ethical Obligations and Disclosures of Interest**

3. **Public Exhibition - Planning Proposal - Affordable Housing Contributions Review - Sydney Local Environmental Plan 2012, Sydney Local Environmental Plan (Green Square Town Centre) 2013, Sydney Local Environmental Plan (Green Square Town Centre - Stage 2) 2013 and Draft City of Sydney Affordable Housing Program 2024**

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2. Check the recommendation in the Committee report before speaking, as it may address your concerns so that you just need to indicate your support for the recommendation.
3. Note that there is a three minute time limit for each speaker (with a warning bell at two minutes) and prepare your presentation to cover your major points within that time.
4. Avoid repeating what previous speakers have said and focus on issues and information that the Committee may not already know.
5. If there is a large number of people interested in the same item as you, try to nominate three representatives to speak on your behalf and to indicate how many people they are representing.

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# Item 1.
## Confirmation of Minutes

Minutes of the following meetings of the Housing for All Committee are submitted for confirmation:

Meeting of 22 July 2024

# Item 2.
## Statement of Ethical Obligations

In accordance with section 233A of the Local Government Act 1993, the Lord Mayor and Councillors are bound by the Oath or Affirmation of Office made at the start of the Council term to undertake their civic duties in the best interests of the people of the City of Sydney and the City of Sydney Council and to faithfully and impartially carry out the functions, powers, authorities and discretions vested in them under the Local Government Act 1993 or any other Act, to the best of their ability and judgement.

## Disclosures of Interest

Pursuant to the provisions of the Local Government Act 1993, the City of Sydney Code of Meeting Practice and the City of Sydney Code of Conduct, Councillors are required to disclose and manage both pecuniary and non-pecuniary interests in any matter on the agenda for this meeting.

In both cases, the nature of the interest must be disclosed.

This includes receipt of reportable political donations over the previous four years.

## Item 3.

### Public Exhibition - Planning Proposal - Affordable Housing Contributions Review - Sydney Local Environmental Plan 2012, Sydney Local Environmental Plan (Green Square Town Centre) 2013, Sydney Local Environmental Plan (Green Square Town Centre - Stage 2) 2013 and Draft City of Sydney Affordable Housing Program 2024

**File No: X099241**

### Summary

Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social risk, particularly within the City of Sydney local area (the City) where housing prices are amongst the highest in Australia.

Sustainable Sydney 2030-2050: Continuing the Vision maintains the target in the City's Local Housing Strategy: Housing for All for 7.5% of all private dwellings to be affordable (and diverse) housing. Based on a private dwelling target of about 156,000 by 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

Increasing the total supply of housing is a key focus of federal, state and local governments. However, more supply will not necessarily decrease the cost of market housing in the City of Sydney, nor will new private market housing be delivered at a cost that is affordable for lower income segments of the community.

Affordable housing development contribution schemes are an important planning lever available to local government to ensure that as the supply of market housing is increased, that affordable housing for lower income households is also increased. This ensures diversity in the housing supply, but also ensures a diverse community can have their housing needs met.

In the City of Sydney, local environmental plans and the City of Sydney Affordable Housing Program (Program) provide a framework for 2 separate affordable housing contribution requirements that may apply to development in the local area, including a:

- rezoning  affordable housing (AH) contribution (rezoning contribution) that is applied to new defined floor space that is achieved where there is a change to the planning controls, and

- broad-based local government area wide AH contribution (Local Government Area (LGA) contribution), that is applied to all qualifying development upon approval

Affordable housing contributions and infrastructure contributions applied at development approval are carefully calibrated to ensure they do not cause the delivery of market housing to become unviable and not proceed. As it is market housing production, that is levied for affordable housing contributions, where market housing becomes unviable AH contributions cannot be collected, and affordable housing will stall.

Since 1996, the evolution of affordable housing contribution schemes have resulted in about $400m being passed to a not-for-profit community housing provider (CHP) to deliver affordable housing in the local area. An LGA wide contribution requirement came into effect in August 2020. This has resulted in around 1,534 affordable dwellings that have been built or are in the planning stages (as at June 2024). A high-level analysis projects the City's affordable housing contribution schemes, which were recently extended to cover all of the local government area, will deliver an additional 1,950 affordable dwellings.

Currently, the delivery of affordable housing is strongly influenced by market conditions, and the availability of other complimentary funding, subsidies, tax concessions and exemptions from the state and federal governments. The capital makeup or 'capital stack' for a project or program of projects, is the extent to which CHPs are able to leverage equity through affordable housing contributions or land to attract and orchestrate additional funding.

In June 2023, Council resolved to review the City's affordable housing contribution requirements and consider what changes could deliver more affordable housing in the local area. In February 2024, Council further resolved that Council be advised on options to give the City the ability to require that affordable housing contributions be delivered on site, in appropriate developments.

The City commissioned an independent economic assessment to review current contribution rates with feasibility testing throughout the LGA to inform their potential for increase. It also undertook further consultation with registered not for profit CHPs about the circumstances where dedicated affordable housing is suitable and could be sustainably managed.

Following the review and recommendations, the Planning Proposal - City of Sydney Affordable Housing Contributions Review (planning proposal) and draft City of Sydney Affordable Housing Program Amendment 2024 (draft Program), subject of this report, have been prepared to:

- simplify the rezoning contribution requirement with a consistent rate, but enable Council to require a contribution be satisfied through the dedication of built dwellings (in appropriate circumstances), instead of monetary contributions

- require the LGA contribution be satisfied by making an equivalent monetary contribution, and remove the option of dedicating built dwellings, and

- increase the equivalent monetary contribution rates (dollar rates) in the Program.

It is estimated that the proposed changes to the LGA wide contribution could deliver an additional 320 dwellings alone (independent of leveraged funding) in addition to the affordable housing outcomes already projected for delivery through the LGA contributions. This estimate may significantly increase where contributions, in particular monetary contributions), can be leveraged by CHPs through federal, state and local government funds and concessions.

Following consideration of the recommendations of the Rates Review the planning proposal and draft Program propose precinct-based dollar rates to be phased in over a period of 4 years from the final approval of the Program by Council.

This report details the outcomes of the review and recommends Council approve the planning proposal and draft Program to be referred to the Department of Planning, Housing and Infrastructure for Gateway Determination and subsequent public exhibition.

## Recommendation

It is resolved that:

(A) Council approve Planning Proposal - City of Sydney Affordable Housing Contributions Review, shown at Attachment A to the subject report, for submission to the Department of Planning, Housing and Infrastructure with a request for a gateway determination;

(B) Council approve Planning Proposal - City of Sydney Affordable Housing Contributions Review, for public authority consultation and public exhibition in accordance with any conditions imposed under the gateway determination;

(C) Council approve the draft City of Sydney Affordable Housing Program Amendment 2024, shown at Attachment B to the subject report, for public exhibition concurrently with the planning proposal;

(D) Council seek authority from the Department of Planning, Housing and Infrastructure to exercise its delegation under section 3.36 of the Environmental Planning and Assessment Act 1979 to make the amending Local Environmental Plan; and

(E) authority be delegated to the Chief Executive Officer to make any variations to Planning Proposal - City of Sydney Affordable Housing Contributions Review and the draft City of Sydney Affordable Housing Program Amendment 2024, to correct any minor errors or inconsistencies, or to ensure consistency with any condition of the gateway determination.

## Attachments

**Attachment A.** Planning Proposal - City of Sydney Affordable Housing Contributions Review

**Attachment B.** Draft City of Sydney Affordable Housing Program Amendment 2024

**Attachment C.** Review of Affordable Housing Contribution Rates - Atlas Urban Economics - October 2024

**Attachment D.** Resolution of Council - Increasing Developer Contributions for Affordable Housing - June 2023

**Attachment E.** Resolution of Council - Power to Require Affordable Housing be Built on Site by Developers - February 2024

**Attachment F.** Summary of Consultation with Community Housing Providers

### This report responds to Council's resolutions to review the City's affordable housing policies and planning controls

1. In June 2023, Council resolved to review the City’s affordable housing (AH) contribution rates and consider what changes could deliver more affordable housing in the local area, such as changes to policies and planning controls. The Council resolution is provided at Attachment D.

2. In February 2024, Council further resolved that the Chief Executive Officer, as a priority, report back on the findings of the City’s review and advise Council of options to give the City the ability to require that affordable housing contributions be delivered on site, in appropriate developments. The Council resolution is provided at Attachment E.

3. This report details the outcomes of the review and recommends Council approve the Planning Proposal: City of Sydney Affordable Housing Contributions Review (planning proposal), provided at Attachment A, and draft City of Sydney Affordable Housing Program Amendment 2024 (draft Program), provided at Attachment B, to be referred to the Department of Planning, Housing and Infrastructure (Department) for gateway determination and subsequent public exhibition for public comment.

4. The Sydney Local Environmental Plan 2012 (Sydney LEP), Sydney Local Environmental Plan (Green Square Town Centre) 2013 and Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 (Green Square Town Centre LEPs), together with the City of Sydney Affordable Housing Program (Program), provide a framework for 2 separate affordable housing contribution requirements that may apply to development in the local area, including a:

   (a) rezoning AH contribution (rezoning contribution) that is applied to new defined floor space that is achieved where there is a change to the planning controls, and

   (b) broad-based local government area wide AH contribution (Local Government Area (LGA) contribution), that is applied to all qualifying development upon approval

5. The purpose of the planning proposal is to amend the Sydney LEP and Green Square Town Centre LEPs and make reference to the updated Program. It proposes key changes to the City's affordable housing contribution requirements, include:

   (a) simplify the rezoning contribution requirement with a consistent percentage, and enable Council to require a contribution be satisfied through the dedication of built dwellings (in appropriate circumstances), instead of monetary contributions;

   (b) require the LGA contribution be satisfied by making an equivalent monetary contribution, and for this requirement, remove the option of dedicating built dwellings, and

   (c) increase the equivalent monetary (dollar) rates in the Program.

6. The intended outcome of the proposed changes (including phasing-in) is to:

   (a) increase the amount of affordable housing provided in the local area;

   (b) ensure that contributions are equitable across different parts of the City;

(c) ensure monetary (dollar) rates are equivalent to the true cost of building and dedicating affordable housing in different value precincts; and

(d) ensure that contributions are factored into development land price through a phasing-in approach

(e) improve the efficacy and efficiency of the City's affordable housing requirements.

### The City applies affordable housing contribution requirements to development in the local area

7. The City's LGA contribution requirement is set out in the Sydney LEP 2012 and the Green Square Town Centre LEPs. The LEPs require that all qualifying development in the local area makes an affordable housing contribution of:

   (a) 1% of the non-residential total floor area in the development; and

   (b) 3% of the residential total floor area in the development.

8. The requirement is applied through a condition of consent on a development approval and if monetised, is payable prior to construction commencement.

9. A full description of the current LGA contribution requirement, as applied at the City of Sydney, is provided in Section 2 of the planning proposal shown at Attachment A.

10. The Program provides the operational and administrative arrangements for the LGA contribution requirements including:

    (a) the principles by which affordable rental housing is to be provided and managed;

    (b) an equivalent monetary (dollar) rate a developer may contribute, in lieu of dedicating built affordable housing floor space;

    (c) examples of how a monetary contribution is to be calculated in different contribution areas;

    (d) the approach to indexing the equivalent monetary contribution rate and a contribution requirement over time; and

    (e) how contribution funds must be used.

11. The City also applies a rezoning contribution requirement on sites that secure additional residential development capacity via a rezoning process. This occurs where development standards for height, floor space or land use are increased or changed.

12. The rezoning contribution requirement applies to new residential floor space only and is set out in the Program and shown at Table 1.

| Precinct | Rezoning contribution requirement |
| --- | --- |
| South | 12% residential gross floor space |
| East | 21% residential gross floor space |
| West | 12% residential gross floor space |
| Central | 13% subject to site specific viability testing |

Table 1: Current rezoning contribution requirements

13. The rezoning contribution requirement is a ‘soft’ requirement, that is, it is not currently set out in a local environmental plan, instead being a requirement that is negotiated as part of the rezoning process, allowing for adjustment on a case-by-case basis depending on the context of the proposed rezoning.

14. Once the final rezoning contribution is determined, the requirement is either inserted into the LEP at the same time as the planning controls are changed to increase development capacity; or will be negotiated and documented in a planning agreement where the landowner has made a public benefit offer.

15. Despite the negotiable nature of the rezoning contribution, by expressing it in the Program (that is adopted by Council and referenced in the LEP), it provides notice to the market of the City's clear expectations. This allows developers to adjust what they will pay for development land in the full understanding of what AH contributions will be.

### The City's LGA contribution requirement has successfully delivered significant amounts of affordable housing in the local area

16. The City utilises multiple levers to encourage the delivery of affordable housing. An LGA wide contribution requirement came into effect in August 2020. To date the City has collected about $400 million in contributions, provided about $31.6 million in discounted land and committed to about $13 million in grants.

17. As of 30 June 2024, the LGA has 1,447 built affordable housing units in the local area, 556 dwellings in the development pipeline and a further 1,385 in the pre-application stage either State Significant Development (SSD) or Local Development (DA). Over 60% of built dwellings have resulted, in full or in part, from the City’s LGA contribution requirement.

18. In addition, the LGA contribution requirement is projected to deliver a further 1,950 affordable dwellings to 2036, noting this estimate will be heavily influenced by other matters outside of the City's control, including, but not limited to:

    (a) the property market - meaning the amount of residential development that occurs. This is highly influenced by market conditions;

(b) the way land develops, for example if more land is developed for commercial premises, rather than housing, there will be a different contribution rate mix;

(c) the more recent availability of funds and concessions from the Federal and State Governments for affordable housing projects;

(d) the ability of community housing providers (CHPs) to leverage contribution funds, for example, through equity in a 'capital stack' for new development; and

(e) and most importantly, NSW and Federal Government policy directions.

19. Seen through our local government lens, the known built, pipeline, pre-application and projected dwellings equal around 5,338 affordable and diverse dwellings to 2036. This is just under half of the 12,000 affordable housing dwellings needed to achieve the target of 7.5% of all housing in the local government area be affordable housing. If substantial Federal funding is not increased or continued, it may be necessary to extend the target date beyond 2036.

### Developers can currently satisfy the LGA contributions and the rezoning contributions by dedicating built dwellings or by making a monetary contribution

20. When a development application is lodged with the City it must set out how the affordable housing contribution will be satisfied. The Sydney LEP and the Green Square Town Centre LEPs currently allow a developer to choose to satisfy an affordable housing contribution by either:

(a) dedicating built floor space for affordable housing; or

(b) by making an 'equivalent' monetary contribution, being a rate determined by the City.

21. To date, in almost all cases, applicants have chosen to satisfy the contribution by making an equivalent monetary contribution. This is because:

(a) the equivalent monetary contribution (the dollar rate) set out in the Program is now under the equivalent actual cost to the development to build residential floor space, that is, it is cheaper for the development to allocate a monetary contribution rather than build and dedicate affordable housing;

(b) making a monetary contribution is considerably less complex. In the alternative, arrangements with a registered CHP(s) to deliver mandated housing need to be made, and enter into legal arrangements for the dedication of dwellings; and

(c) it is a strong preference of City West Housing, who has historically been the recipient of the City's affordable housing contributions, to receive monetary contributions to create more affordable housing. This allows them to develop affordable housing specific to the needs of their tenant list. Salt and pepper units in a predominantly market development is not preferred. Rather, the consolidation of affordable housing into a standalone building, or at least serviced by a separate lobby and core, removes significant management complexities and financial liabilities that result from a more dispersed property ownership having a small proportion of the housing in a mixed tenure building.

### The City consulted with CHPs to understand the best approach to how contributions might be received (dedication or monetary contribution)

22. The City undertook targeted consultation with our Recommended CHPs identified on the City of Sydney Affordable Housing Contributions Distribution Plan (Distribution Plan), adopted by Council on 11 March 2024. The purpose of the consultation was to understand the best approach to how contributions might be received in future. This included, whether dedicated dwellings are preferred or monetary contributions preferred, as well as the issues arising from receiving dedicated dwellings.

23. The consultation revealed key considerations for and against, including challenges relating to the receipt of completed dwellings delivered by market development. A summary of the City's consultation with Recommended CHPs is provided at Attachment F.

24. To maximise affordable housing outcomes, CHPs have advised that where contribution funds are well leveraged (i.e., by tapping into State and Federal funding), they can be stretched much further to deliver more affordable housing by two or three fold. Moreover, the affordable housing is typically more suitable for their needs. In the long term more appropriate affordable housing will result from CHPs developing their own sites. This is because where housing is developed by a CHP:

    (a) there are a range of tax incentives available to CHPs, i.e., not subject to the Goods and Services Tax (GST) and other taxes, making delivery of housing cheaper;

    (b) they can access low-cost finance and quarterly availability payments from Housing Australia;

    (c) they can apply for funding under the Australian Government's Housing Australia Future Fund Facility (HAFFF);

    (d) where available, they can pair contribution funds with other grants that may be available from the Federal or State Government or from local government (such as subsidised land sales); and

    (e) they are not subject to the same return requirements that are required by investors and financiers to achieve project viability.

25. To achieve positive affordable housing outcomes, including financial sustainability, CHPs raised the following key matters:

    (a) management efficiencies – CHPs advised that the costs and inefficiencies of managing multiple properties scattered throughout various developments, can be considerable, regardless of CHP size. These relate to the additional costs and resourcing associated with managing multiple strata requirements, the practical challenges of physically maintaining properties across a wide geographic area, and the reduction in community support facilities and services that can be provided to tenants. Concentrating efforts where more than a handful of dwellings can be delivered is more efficient; and

(b) strata costs – it is not unusual for new development in the local area to incorporate on-site facilities for future residents, such as gyms, pools, high end lifts (sometimes multiple) and rooftop amenities, resulting in high strata fees that can absorb rental returns. This can increase where special levies are payable for significant works to the building and/or common property.

(c) Where CHPs are required to pay strata fees on dedicated apartments, this could absorb most rental income where the Program limits rents to no more than 30% of household income. If dedicated dwellings are received, CHPs indicated a preference for extracting the dedicated dwellings from future strata costs or to limit higher costs in some way.

26. Key issues also raised by CHPs are the need to influence the design and construction quality of dwellings to ensure long-term suitability, noting key decisions are often made by the developer before a CHP can be involved in the project. A CHP's considerations for design and construction include:

(a) geographic location – affordable housing should be well located so that tenants can access high frequency public transport, access to services, such as a reasonably priced grocery store, health services and so on, without needing to rely on a private vehicle for everyday needs. While this is a City-wide aspiration for all residential development, it is particularly important for affordable housing, whose tenants are less likely than the general population to have the financial capacity to own a private vehicle. It is also noted that affordable housing developments may also have a higher proportion of tenants who have a disability, increasing the importance of accessible access to public transport options and services;

(b) on-site access arrangements – it is common that affordable housing developments have a higher-than-average proportion of tenants who are living with a disability. It is therefore important that affordable housing dwellings are cognisant of access requirements, with particular attention paid to accessibility in situations where lifts are out of service;

(c) fit-out – durability and cost of maintenance is the main concern raised by CHPs with regard to the long-term management of dedicated affordable housing dwellings. For example, the durability and cost of the materials used in kitchens and bathrooms, with good quality materials with longevity being preferred, but also materials that are not expensive to replace;

(d) flexibility and universal accessibility – CHPs note the importance of maximising flexibility so that a range of different tenants, including those who live with a disability, may live in the dwelling;

(e) dwelling size and mix – where possible a mix of one, 2 and 3 bedroom dwellings enables the provider to house a range of households and positions them to be able to meet future housing needs;

(f) servicing – while maximum parking may not be a requirement for affordable housing that is well located to transport and services, some parking and servicing is generally required for service vehicles, shared vehicles and for vehicle access for tenants living with a disability;

(g) design for reduced living cost – ensuring affordable dwellings are designed to minimise costs to future tenants. For example, the installation of fans and maximising opportunities for cross ventilation will reduce the need for tenants to utilise expensive air-conditioning. CHPs also noted avoiding embedded networks and such is important to manage costs to tenants; and

(h) external appearance – whilst internal fit out needs to be specific to the needs of CHPs and their tenants, the quality of the external appearance of affordable housing dwellings, and the inclusion of visible external spaces such as balconies or courtyards, are generally required to match that of other dwellings in the development. This is to ensure that affordable housing is not visually differentiated as such.

**The planning proposal will enable the City to require a contribution to be satisfied in a preferred way**

27. Informed by the matters raised by CHPs, the planning proposal seeks to amend the Sydney LEP and Green Square Town Centre LEPs to require:

(a) for rezoning contributions, the requirement to be satisfied by the dedication of appropriate built dwellings (where Council confirms that this is possible), instead of monetary contributions.

(b) for the LGA contribution only (as applied to DAs), the requirement to be satisfied by the payment of monetary contributions, instead of dedication of built dwellings.

28. The rationale for requiring monetary contributions for LGA contributions (instead of dedication of built dwellings) includes:

(a) the size of the contribution on each DA (3% and 1% of residential and non-residential floor space respectively) is numerous but relatively small compared to a contribution required pursuant to the rezoning contribution (as is the case in overseas jurisdictions). Small numbers of affordable rental units spread across disparate development sites will create financially unsustainable outcomes for CHPs and present management challenges;

(b) a monetary contribution can be better leveraged by CHPs to generate a greater number of affordable dwellings in a typical 'capital stack' from different funding sources. The range of tax incentives, low-cost finance and concessional loans available to CHPs can amplify monetary contributions when affordable housing is built by CHPs;

(c) housing delivered by CHPs is generally better suited to the needs of their tenants. For example, the electrification and passive design are priorities for CHPs to reduce the living costs of their tenants;

(d) housing delivered by another party presents potential long-term financial and practical risks for a CHP, particularly where defects ('snags' in the case of UK s106 housing) are identified post-handover. It also increases risk to developers should dwellings not be accepted at the end of the design and build process, potentially causing delays to the delivery of market housing and adding costs;

(e) for a DA, conditions of consent for a monetary contribution are quicker and simpler than an exhibited agreement for dedication of dwellings. A monetary contribution suits the DA timeframe focus under the Ministerial Expectations versus a dedication requirement needing significantly more consideration, including:

(i) negotiations with the proponent and CHP(s) to refine the design of the development to ensure the resulting housing is appropriate to be used as affordable housing; and

(ii) the need for extensive legal expertise and resources to draft an appropriate and enforceable planning agreement and/or conditions of consent; and then to review and execute the necessary legal instruments needed to secure the affordable housing, for example, contract of sale and/or voluntary planning agreement.

29. However, the rationale for requiring dedication of built dwellings for the rezoning contribution (instead of monetary contributions) is as follows:

(a) rezoning proposals are more likely to be of sufficient scale to deliver financially sustainable numbers of affordable dwellings;

(b) the longer timeframe of a planning proposal / rezoning process and higher-level nature of the development at planning proposal stage provides the best opportunity to work through the detailed considerations of obtaining built affordable housing;

(c) rezoning proposals are typically supported by planning agreements, which is the preferred approach to delivering on-site affordable housing. Planning agreements provide the opportunity to agree deliverables, timings and expectations for any subsequent development, providing improved certainty for both the developer and receiving CHP on the final delivered outcome; and

(d) requiring the dedication of built dwellings in positive circumstances can circumvent the need for CHPs to purchase land for the development of affordable housing. The availability of land can be challenging in the City of Sydney area, where market competition for land is very high (except in the E3 zone). CHPs have made previous submissions noting this issue.

## The dedication of dwellings will be required only where the resulting housing is good quality affordable housing

30. To provide certainty for CHPs and developers, the draft Program includes the 'triggers' for where the consent authority may require the dedication of built dwellings where a rezoning contribution applies. The draft Program will also set out 'standards for dedicated affordable housing dwellings' to guide the design and construction quality of affordable housing that is appropriate to the needs of CHPs and their tenants. This will maximise the efficiency of the process by ensuring that dedicated dwellings met appropriate standards.

31. The purpose of the triggers and design standards is to describe the circumstances where the dedication of housing is considered appropriate, that is, where the resulting housing will be appropriate for use as affordable housing. The triggers are where:

    (a) the development is predominantly for a residential purpose; and

    (b) the development will (or in the case of a concept development application, may) result in a contribution requirement for more than 600 square metres of gross floor area that can be provided as 8 or more dwellings; and

    (c) the development is located in Category A or B area of the Sydney LEP 2012 Land Use and Transport Integration Map (if the development is subject to the Sydney LEP 2012); and

    (d) in the opinion of the consent authority, affordable housing dwellings may reasonably be provided where they could avoid participation in a future strata scheme, if the quarterly costs of the scheme would likely be 'high' and render the management of the property for affordable housing as 'unsustainable'. This could reasonably be achieved where the dwellings to be dedicated could be provided:

        (i) in a separate stratum in a building in the development, preferably with its own entry lobby and vertical circulation; or

        (ii) in a separate building in the development; and

    (e) in the opinion of the consent authority, the 'standards for dedicated affordable housing dwellings', provided at Appendix C of the draft Program, can be reasonably satisfied.

32. While strata fees cannot be known at the time a development application is lodged, strata schemes would likely be 'high' where the development incorporates amenities that are likely to result in high management costs, for example, multiple high end lifts, pool(s), gym(s) and concierge facilities.

33. The long-term management of properties for affordable housing are considered ‘unsustainable’ where rents will not meet the costs of strata and other cyclical management costs of the dwelling over a notional 40-year ownership period.

34. If the dedication of built dwellings is required, the Program requires consultation with the Recommended CHP, identified in the City's Distribution Plan as a recipient of dedicated affordable housing dwellings.

35. Notwithstanding the criteria set out above, the consent authority may not require the dedication of built dwellings where the Recommended CHP provides written advice that the proposed dwellings are unsuitable for use as affordable housing. In these circumstances a monetary contribution will be required.

36. The draft Program also sets out 'Standards for dedicated affordable housing dwellings' that establish requirements for how dedicated dwellings are to be provided. The standards provide guidance on the following:

    (a) long-term management requirements

    (b) long term strata management requirements

(c) dwelling mix requirements

(d) parking and servicing requirements

(e) access requirements

(f) fixtures and finishes

(g) design requirements, including external design, design for reduced living costs and design for reduced cyclical management costs.

*Dedication of dwellings - requirement in practice*

37. Where there is a planning proposal to increase the development capacity of a site/s, a key consideration will be the potential delivery of on-site affordable housing.

38. The rezoning contribution requirement can be set out in an LEP, or in a voluntary planning agreement if there is a site-specific rezoning and public benefit offer that has been initiated by a landowner and/or developer.

39. As noted previously in this report, any requirement for the dedication of dwellings in the development application process has the potential to significantly extend assessment times.

40. Where the rezoning requirement is set out in a planning agreement, the terms of the agreement will be established concurrently with any planning proposal to increase the development capacity of the site. This avoids the need to resolve key issues in the development application process, where assessment timeframes are much more constrained.

41. Therefore, a planning agreement is the preferred pathway to apply a rezoning contribution requirement. However, this is only possible where the landowner and/or developer has made an appropriate public benefit offer and agrees to enter into the agreement. It is also not possible where the City itself has initiated a planning proposal to increase the development capacity of land owned by multiple owners, for example in Pyrmont. In these cases, the rezoning contribution must be set out in an LEP rather than planning agreements.

42. Notwithstanding the above, it is noted that in the context of a rezoning contribution requirement, when the intention to lodge a development application in accordance with new planning controls is understood well in advance, matters can be resolved earlier and the impact on assessment times is expected to be manageable. Planning agreements can be entered into at this stage of the process if all parties agree.

43. Where the rezoning requirement is in an LEP, the consent authority's decision about whether a development will dedicate dwellings, or make a monetary contribution, will be made in the context of a development application. Ultimately the contribution requirement may need to be applied as a condition of consent. The development application process is shown at Figure 1.

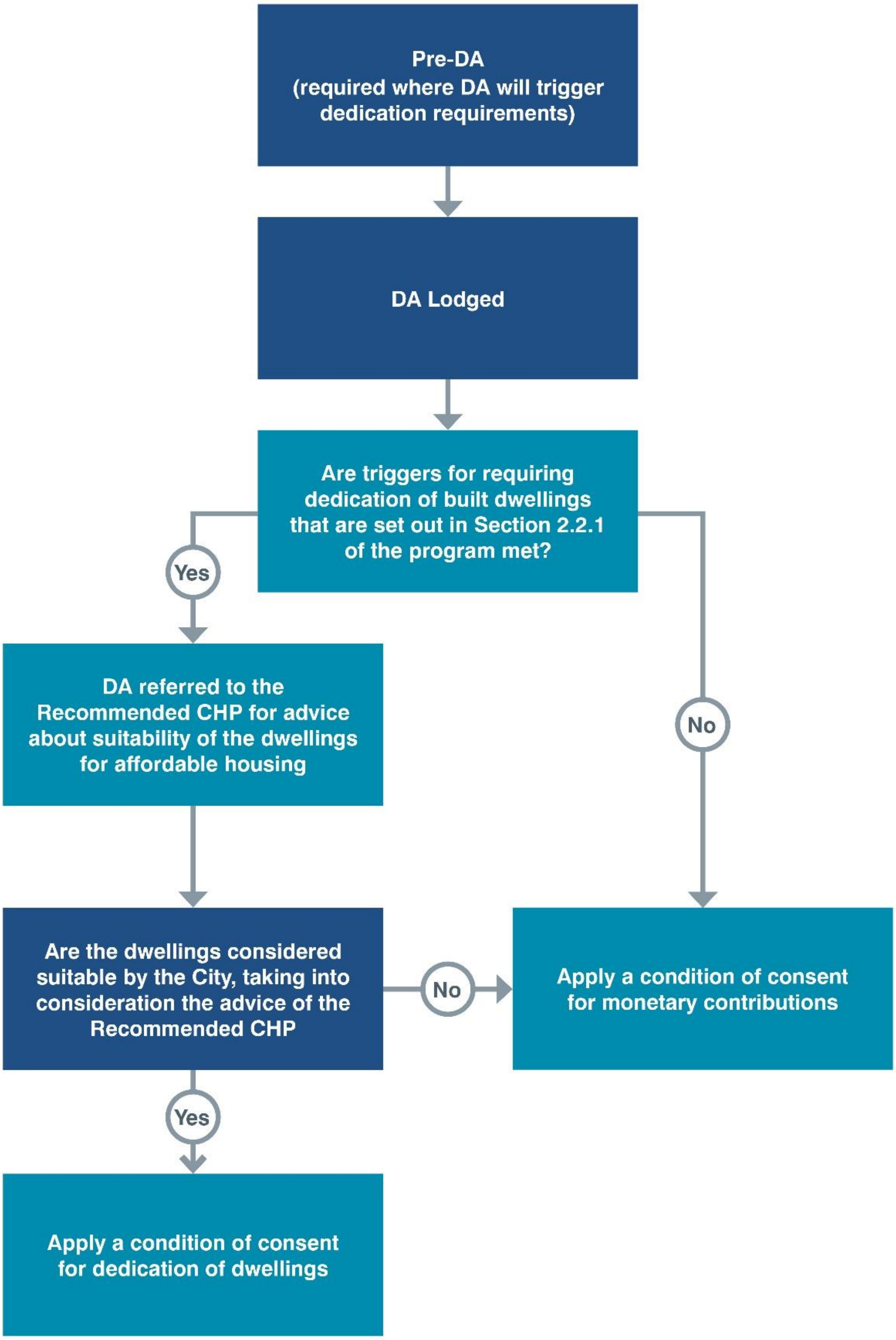


Figure 1: Indicative development application process

44. Where the development meets the 'triggers' for dedication of dwellings, the application will be referred to the Recommended CHPs on the City's Distribution Plan for any written advice about the suitability of the proposed housing for dedication for affordable housing.

45. The Executive Director City Planning, Development and Transport (Planning Director) will consider the advice of the Recommended CHPs and where the proposed dwellings are considered suitable, will confirm that the proponent will be required to satisfy their contribution by dedicating built dwellings, and a recommendation to Council and the CSPC will be made at the Planning Proposal stage.

## The City commissioned research to inform a review of its affordable housing contribution schemes

46. The City commissioned Atlas Urban Economics to undertake an independent review of the affordable housing contribution rates (Rates Review). The Rates Review, provided at Attachment C, considers:

    (a) if the various affordable housing contribution rates (development, rezoning, monetary) are appropriate;

    (b) if higher affordable housing contribution rates are feasible; and

    (c) modelling of the implications that result from the implementation of alternate affordable housing contribution rates.

47. The Rates Review:

    (a) examines the total cost of procuring / delivering on-site housing (land, construction, forgone opportunity of selling a market apartments) against the current dollar rate in the Program;

    (b) tests alternate affordable housing contribution rates and their impact on development feasibility; and

    (c) considers if higher affordable housing contribution rates are achievable or would result in adverse impact to development supply.

*Rates Review - findings*

48. The Rates Review concludes that the City of Sydney is made up of several distinct development sub-markets, generally being the Central, East, West and South precincts shown in Figure 2.

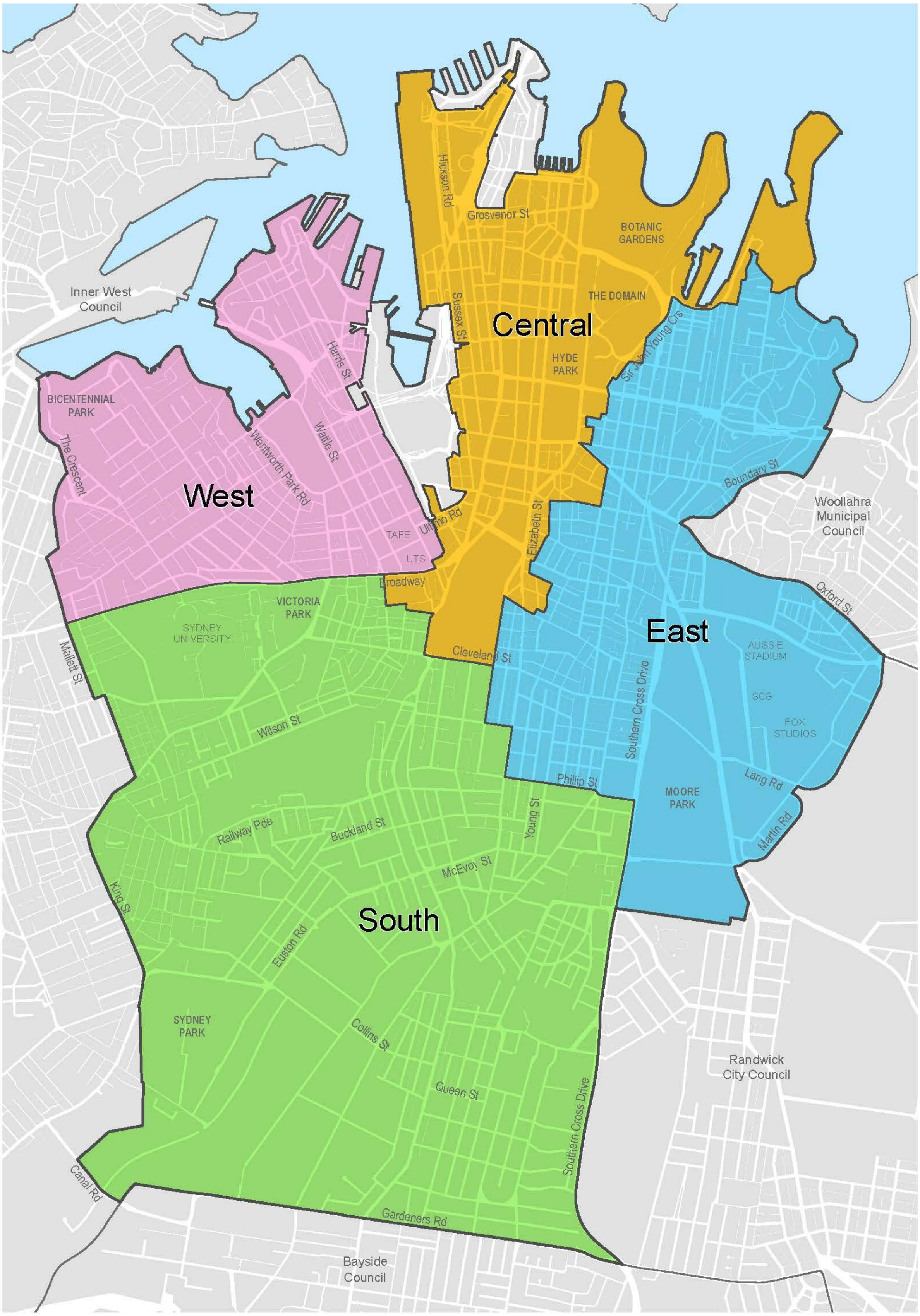


Figure 2: Affordable housing contribution precincts

49. Each precinct is subject to its own planning opportunities, market drivers, development standards and underlying land values. Together, these influence the highest and best use of a development site, the cost of delivering development, how much development will sell for, and what type of development will occur. For example, the East precinct currently lends itself to the delivery of a premium housing product.

50. These sub-markets have implications for the current approach to rate-setting, notably:

    (a) the current monetary (dollar) rate, based on the Sydney local area median strata unit price, only enables the purchase of median priced (older) residential stock in the local area and not new residential units. This difficulty is now the greatest in the East and Central precincts where the current rate would be equivalent to only a fraction of new residential prices;

    (b) the current monetary (dollar) rate is now not genuinely equivalent to the cost of delivering a square metre of floor space, limiting the funds collected by the City's affordable housing scheme and the ability of CHPs to deliver dwellings; and

    (c) applying a uniform monetary rate across the local area, places a disproportionate burden on development in different precincts. 'Lower value' areas in the West and South precincts contribute a significantly greater proportion of revenue compared with 'higher value' areas in the Central and East precincts.

51. The Rates Review recommends that the City consider precinct dollar rates that would be equivalent to the actual cost to a developer of building and dedicating a square metre of floor space for affordable housing across the different precincts of the local area.

*Rates Review - recommendations*

52. The Rates Review recommends:

    (a) no change to the LGA wide development contribution requirement in the City's local environmental plans, that is, the requirement for contribution of 1% of non-residential and 3% of residential floor space should remain unchanged;

    (b) a new approach to the monetary (dollar) rate, being a precinct-based dollar rate, that reflects the value of new residential units in different parts of the local area; and

    (c) the new precinct-based dollar rates be phased-in to allow for the market to adjust and be factored into the land purchase price.

53. The precinct-based monetary (dollar) rates (per square metre of gross floor area) recommended by the Rates Review are shown in Table 2. The current rate is equivalent to $12,293.84 per square metre of Gross Floor Area (GFA).

| Affordable housing contribution precinct | Dollar rates at full implementation |
|---|---|
| South | $12,500 |
| East | $20,000 |
| West | $15,000 |
| Central | $17,500 |

Table 2: Recommended dollar rates (per square metre of gross floor area)

54. While rates are proposed to increase in all precincts, the Rates Review finds the dollar rates will be tolerated in all precincts when phased in over a period of 4 years from the date of adoption of the Program. The testing examines the ‘worst case’, where land has already been purchased for development and the price paid would not have taken into account the new contributions in preparing their development feasibilities. It shows that a 50% introduction of the new precinct rates has a relatively minor impact on feasibility, and in subsequent years natural market growth (sale price rises) helps to offset any impact.

55. The Rates Review notes that if higher contributions were to be introduced without a phase in period, they would have an adverse impact on the feasibility of current developments. This is because of a number of post Covid headwinds make it hard for development to be feasible. This is a result of the cumulative influence of high existing-use land values (and therefore the cost to consolidate a development site), persistently high construction costs, and relatively soft end sale values of completed housing due to elevated interest rates. As the economic environment stabilises over time, the phased introduction of increased dollar rates would give development markets the opportunity to be forewarned and adjust.

56. The phase-in period is critical so as not to undermine the delivery of the City's housing pipeline and future housing supply. Should market housing become 'unviable', contribution requirements cannot be made and affordable housing cannot be built (in addition to there being no increase in available market housing).

### The planning proposal and draft Program phases in an increased monetary (dollar) rate over a period of 4 years from the final approval of the Program by Council

57. Following consideration of the recommendations of the Rates Review the planning proposal and draft Program propose precinct-based dollar rates to be phased in over a period of four years from the final approval of the Program by Council. The proposed rates and phase-in strategy are shown at Table 3.

58. The phase-in strategy will result in increases in contributions (outside of the standard indexation of rates) 2 years following final approval of the Program by Council (50% implementation), with full implementation 4 years from final approval.

| Affordable housing contribution precinct | From immediate approval of the Program by Council | 2 years from approval of the Program by Council | 4 years from approval of the Program by Council |
|---|---|---|---|
| South | $12,293.84 | $12,396.92 | $12,500.00 |
| East | $12,293.84 | $16,146.92 | $20,000.00 |
| West | $12,293.84 | $13,646.92 | $15,000.00 |
| Central | $12,293.84 | $14,896.92 | $17,500.00 |

Table 3: Proposed phase in of 2024 indexed dollar rates (per square metre of gross floor area)

*Concessions for build-to-rent and co-living housing in Central Sydney*

59. For development in Central Sydney, that is entirely for the purpose of build-to-rent housing or co-living housing, it is proposed the dollar rate remains unchanged at $12,293.84 per square metre (current dollar rate adjusted for Gross Floor Area), as indexed, until the date of the full implementation of the rates as set out in Table 3. From that time the concession rate for these housing types will end.

60. This delay supports the delivery of these specific housing types in Central Sydney in the short term to address the post-pandemic rental housing shortage. This aligns with the City's recent planning proposal to facilitate these development types.

*Indexation of dollar rates*

61. The monetary (dollar) rates will be indexed annually to ensure they keep pace with the cost of providing housing. The method of indexing is set out in the current Program and is not proposed for amendment.

*Total Floor Area to Gross Floor Area*

62. The current uniform dollar rate in the Program is technically $11,176.22 per square metre of Total Floor Area (TFA). TFA is different to the more commonly used metric of Gross Floor Area (GFA). The main difference is that TFA includes balconies and circulation spaces that are otherwise excluded from GFA. Generally, the calculation of TFA in a residential development is at least 10% more than GFA.

63. The Rates Review recommends transitioning away from TFA to GFA, to improve the efficient operation of the contribution scheme. This is because:

    (a) it is easier for the market to understand (given that apartments are generally traded on $/sqm internal rates). Internal rates could be converted to $/sqm GFA by adopting a generic efficiency factor; and

    (b) it would simplify the development assessment process, as additional plans that detail the calculation of TFA will not be required.

64. The proposed dollar rates are adjusted to per square metre of GFA. It is noted that the dollar rate shown in Table 3 (being $12,293) reflects the current dollar rate (for TFA), although this has been conservatively adjusted up by 10% for GFA.

*Transitional arrangements*

65. Development applications lodged prior to the commencement of the LEPs that implement the planning proposal will remain subject to the current affordable housing provisions in the Sydney LEP 2012 and the Green Square Town Centre LEPs. This means the contribution requirement will continue to be based on the current dollar rates (that are published on the City's website) and applied to TFA.

*Examples of the impact of changed dollar rates on the LGA wide contribution requirement*

66. The proposed dollar rates will result in an overall increase in the payable contributions for the LGA wide contribution requirement in the medium term, allowing for the phased introduction.

67. Some examples of how the proposed dollar rates will increase the payable monetary (dollar) contribution of the LGA contribution requirement are provided at Figure 3.

***Example 1 – West precinct***

**Today**

A 10,000sqm residential development in the West precinct of about 133 apartments will make an affordable housing contribution of $3.69m OR 300sqm built dwellings (4 dwellings).

**From full implementation**

The same development will make an affordable housing contribution of $4.5m (in today's dollars).

***Example 2 – South precinct***

**Today**

A 50,000sqm mixed use development (5,000sqm non-residential floor space / 45,00sqm of residential floor space) in the South precinct of about 600 apartments will make an affordable housing contribution of $17.2m OR 1,400sqm built dwellings (19 dwellings).

**From full implementation**

The same development will make an affordable housing contribution of $17.5m (in today's dollars).

***Example 3 – Central precinct***

**Today**

A 75,000sqm commercial development in Central precinct will make an affordable housing contribution of $9.2m.

**From full implementation**

The same development will make an affordable housing contribution of $13.13m (in today's dollars).

***Example 4 – East precinct***

**Today**

A 1,000sqm residential development of about 13 apartments will make an affordable housing contribution of $369k OR 30sqm built dwellings (that must be satisfied by paying a contribution because that resulting apartment would not meet the minimum dwelling size).

**From full implementation**

The same development will make an affordable housing contribution of $600k (in today's dollars).

Figure 3: Impact of changed dollar rates on the LGA wide contribution requirement - examples

*Examples of the impact of changed dollar rates on the rezoning contribution requirement*

68. While in many cases the rezoning contribution will result in a requirement for on-site delivery of affordable housing, there will be some circumstances where that is not possible and/or desirable. For example, where the development is purely for non-residential purposes.

69. An example of how the proposed monetary (dollar) rates will increase the payable monetary contribution of the rezoning contribution requirement is provided at Figure 4.

***Example***

**Today**

A site in Central precinct is currently subject to planning controls that allow 70,000sqm of non-residential floor space.

A rezoning is proposed to allow an additional 40,000sqm of non-residential floor space. No residential development proposed.

Based on current approach, only the LGA wide contribution would be applied to all GFA when the development application is lodged. No rezoning contribution requirement would be applied because the new floor space is for non-residential purposes only.

The current requirement is therefore $13.5M (in today's dollars), calculated as (110,000sqm * 1% * $12,293)

**From full implementation of dollar rates**

The proposed change will apply the LGA wide contribution to the existing floor space and a rezoning contribution of 2% to the new floor space.

The same rezoning will therefore be required to make an affordable housing contribution of $26.3m (in today's dollars).

Figure 4: Impact of changed dollar rates on the rezoning contribution requirement - example

## The Rates Review found the rezoning contribution requirement should be simplified to ensure an appropriate amount of affordable housing results from increased development capacity

70. The Rates Review examined the suitability of the City's current rezoning contribution requirement, that is, the approach the City takes to seeking additional affordable housing contributions when a site is rezoned to create more development capacity.

71. The Rates Review tested a series of rezoning scenarios, applying assumed development margins and projected internal rates of return, to determine the tolerance to increased rezoning contribution requirements in the different precincts. The testing factored in the increased dollar rates recommended for each precinct (phased in over a period of time), assuming the future contribution requirement might be satisfied by making an equivalent monetary contribution.

72. The Rates Review recommends simplifying the multiple contribution requirements in the Program to a uniform 20% (applied to additional residential floor space only) for all precincts. It finds a uniform contribution requirement, differentiated by a precinct dollar rate to reflect the pricing hierarchy across the City, will achieve a more equitable outcome across the LGA. That is, regardless of location, a rezoning contribution requirement would make the same proportion (%) of affordable housing contributions per additional GFA enabled by the rezoning.

73. The Rates Review also identifies an opportunity for non-residential floor space in Central Sydney to contribute to affordable housing and recommends the introduction of a 2% rezoning contribution requirement to apply to non-residential uplift in the Central precinct.

74. To test the impacts of the proposed rezoning contribution requirement on development viability, the Rates Review tests a worst-case scenario, where land is purchased at a price not reflecting the increase contribution requirement. It finds that in most circumstances development remains viable under the proposed rezoning contribution requirements, providing that the dollar rates (as provided in Table 3) are phased in over time.

75. A gradual implementation, achieved by phasing-in the monetary (dollar) rates, will ensure that land values (and landowner expectations) have time to adjust. This is important to allow for planning decisions to be made in full understanding of requirements. If developers pay a price for land that is reflective of the various contribution obligations, the Rates Review demonstrates that development can tolerate the alternate rates.

### The draft Program implements new rezoning contribution requirements

76. In direct response to the recommendations of the Rates Review, the draft Program proposes changes to the rezoning contribution requirement in the draft Program, including:

    (a) a standardised contribution requirement of 20% across all precincts (shown at Table 4), given that the dollar rate is being differentiated across the local area. This approach also ensures an equal proportion of floor space is dedicated for every square metre of uplift, regardless of the location of the planning proposal; and

    (b) the introduction of a 2% contribution requirement that would apply to non-residential uplift in the Central precinct only.

77. The proposed rezoning contribution requirements would come into effect upon adoption of the Program, noting the dollar rates will be phased-in over four years as recommended.

78. As detailed earlier in this report, it will be the City's first preference that the rezoning contribution requirement be satisfied via the dedication of built dwellings, subject to triggers and benchmarks set out in the draft Program. If these criteria are not met, or the receiving CHP provides written advice that the dwellings will be otherwise unsuitable, an equivalent monetary contribution will be required, calculated using the phased-in dollar rates.

79. It is noted that a planning proposal uplift rate has not previously been applied to non-residential development. It is now recommended in the Central precinct alone because of the substantial demand for housing for key workers created by increased employment floor space in Central Sydney.

80. The introduction of a contribution requirement for non-residential development remains consistent with the requirements set out in the Act relating to where a contribution requirement can be applied.

### The draft Program makes several other housekeeping amendments to clarify or simplify current processes

81. Amendment to the Program is needed to update current requirements and include new requirements so it aligns with the planning proposal. These amendments are set out in the draft Program, shown at Attachment B, and in the main are discussed above in this report.

82. Notwithstanding this, a number of other housekeeping amendments are proposed in the draft Program to clarify current processes or simplify readability. These amendments, together with an explanation of why they are being made, are set out in Section 5.2 of the planning proposal.

### The planning proposal and draft Program will increase the amount of affordable housing expected to be provided through the LGA wide contribution to 2036

83. The current projection for the LGA contribution is that it will result in an additional 1,950 dwellings. This is in addition to the dwellings that have already been built, are in the development pipeline and are in the pre-development application planning stages.

84. The projection is a straightforward model and does not factor in any assumptions about external impacts on affordable housing supply, such as market factors, development costs, CHP performance, leveraging of contributions and other subsidies that may or may not be available from government. It assumes that the requirement in the LEP, that a proportion of floor space be dedicated for affordable housing, is actually dedicated as affordable housing.

85. However, in practice, contribution requirements are almost always satisfied by monetary contributions, rather than built dwellings being dedicated.

86. As described earlier in this report, where monetary contributions are received, there is much more scope by CHPs to leverage contributions to provide even greater amounts of affordable housing through increased funding.

87. How successfully the funds can be leveraged will vary from project to project, from CHP to CHP (depending on their current balance sheet and their ability to leverage funds), and on the types of other funding and concessions that may be available from federal and state government at any given point in time. Generally, based on the current availability of funding, it is reasonable that contribution funds might be between 2 – 3 or even 4 fold the value of the monetary contribution.

88. Assuming a conservative leveraging factor of 2, and that the leveraging factor remains constant over time, the current projection of 1,950 could be as much as 4,000 dwellings, noting that this is in fact highly dependent on a range of other factors.

89. The planning proposal that is the subject of this report will increase the contribution funds that are being received by CHPs, and it follows that this will result in an increased capacity to provide affordable housing if Housing Australia remains steady.

90. Based on forecasts about how much in monetary contributions will be collected from the different precincts to 2036, and then applying the new contribution rate to those areas (as they are phased in), it is estimated an extra $320 million in contributions could be collected – about a 20% increase on what we are likely to receive under current rates.

91. Assuming a delivery cost of $1 million per dwelling, an estimated further 320 dwellings in addition to current projected dwellings could be achieved. Where a conservative leveraging factor of 2 is applied, the proposed change to the dollar rates could deliver an estimated further 640 dwellings in addition to current projected dwellings.

92. It is worth noting there are many variables that will impact on this scenarios being achieved. For example, if the availability of subsidies goes up, and the market improves, and more complementary policies are adopted by other levels of government, the estimate could increase. However, if the current poor market conditions persist, government subsidies dry up, and CHPs have limited ability to access financing, then the estimate could decrease.

93. There is no projection for how many affordable dwellings are expected to result from the rezoning contribution. This is because site-specific rezonings are little known and have been rarely approved by Council in the past.

94. Few rezonings for residential development have occurred in the last 10 years, however, if more sites were rezoned (or its equivalent) for residential development in future (as is the case overseas), and the affordable housing component is built and dedicated, about 25 dwellings per 10,000 square metres of 'new' floor space could be provided.

### Affordable housing contributions must be collected and used in accordance with the Act

95. Affordable housing contributions are enabled by Section 7.32 of the Environmental Planning and Assessment Act 1979 (Act) which sets out the circumstances under which an affordable housing contribution can be applied in a condition of consent.

96. The Act says a condition of consent must be applied in accordance with a local environmental plan and an adopted 'scheme' for contributions. In the City of Sydney, the 'scheme' is contained in the City of Sydney Affordable Housing Program (current Program).

97. The Act also requires compliance with the State Environmental Planning Policy (Housing) 2021 (Housing SEPP), that sets out further requirements about how affordable housing that results from Section 7.32 of the Act must be used. These requirements include, but are not limited to:

(a) affordable housing is rented to appropriately qualified tenants, being very-low, low- and moderate-income households, and rented at an appropriate rate of gross household income; and

(b) buildings provided for affordable housing must be managed to maintain their continued use for affordable housing, that is, affordable housing must be in perpetuity, or at least dwellings cannot be sold without otherwise being replaced elsewhere in the local area through agreement.

98. The City bears the responsibility of ensuring affordable housing contributions are being used in accordance with legislative requirements. This includes ensuring appropriate regulatory and contractual arrangements are in place to manage and monitor affordable housing resulting from the City's contribution scheme over time.

99. The current Program requires affordable housing contributions made pursuant to the Act be distributed to CHPs in accordance with any Distribution Plan adopted by Council.

100. The City of Sydney Affordable Housing Contribution Distribution Plan, adopted by Council on 11 March 2024, came into effect on 1 July 2024. The City and CHPs listed on the plan (being City West Housing, St. George Community Housing and Bridge Housing) have entered into funding agreements that give effect to the Distribution Plan. The agreements provide for the flow of monetary contributions to all three recipient CHPs, with preferential treatment of monetary contributions in favour of City West Housing initially, to assist in the delivery of their City LGA development pipeline, and dedicated dwellings going exclusively to St. George Community Housing and Bridge Housing. The funding agreements also detail:

(a) the way in which contributions can be used, being in accordance with legislative requirements and the principles and requirements of the Program; and

(b) reporting and monitoring requirements for the resulting affordable housing.

101. The planning proposal and draft Program are consistent with the requirements of the Act and Housing SEPP and make no change to the distribution of affordable housing contributions.

### The planning proposal and draft Program is consistent with Sustainable Sydney 2030-2050 Continuing the Vision, the Region Plan and the District Plan

102. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities’ vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. The planning proposal and draft Program is aligned with the strategic directions and objectives.

103. The planning proposal and draft Program give effect to the infrastructure, liveability, productivity and sustainability priorities in the Greater Sydney Commission's Greater Sydney Region Plan and Eastern City District Plan and the City's Local Strategic Planning Statement.

## The planning proposal and draft Program will be publicly exhibited

104. If approved, the planning proposal and draft Program will go on public exhibition. The minimum public exhibition process for the planning proposal will be determined by the gateway determination, though would be at least 28 days. It is proposed that the public exhibition of the draft Program will run concurrently. The consultation will be in accordance with the requirements of:

    (a) the gateway determination issued by the Department of Planning, Housing and Infrastructure under section 3.34 of the Act;

    (b) the Environmental Planning and Assessment Regulation 2000; and

    (c) the City of Sydney Community Participation Plan 2019.

105. The planning proposal and draft Program will be publicly exhibited online on the City of Sydney website in accordance with the Environmental Planning and Assessment Regulation 2000.

**GRAHAM JAHN AM**

Chief Planner / Executive Director City Planning, Development and Transport

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# Attachment A

## Planning Proposal – City of Sydney Affordable Housing Contributions Review

CITY OF SYDNEY

# Planning Proposal: Affordable Housing Contributions Review 2024

# Contents

# 1. Background

## 1.1. Introduction

This Planning Proposal: Affordable Housing Contributions Review (this planning proposal) is to amend the affordable housing provisions in the *Sydney Local Environmental Plan 2012* (Sydney LEP 2012), the *Sydney Local Environmental Plan (Green Square Town Centre) 2013*, and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* (the Green Square Town Centre LEPs).

The Sydney LEP 2012 and the Green Square Town Centre LEPs, together with the City of Sydney Affordable Housing Program (Program), provide a framework for the affordable housing contribution requirements that may apply to development in the local area, including those pursuant to:

- Clause 6.70 of Sydney LEP 2012, that sets out affordable housing contribution requirements at Blackwattle Bay;
- Clause 7.13 of Sydney LEP 2012 and Clause 6.5 of the Green Square Town Centre LEPs, that set out a broad-based affordable housing contribution requirement on all eligible development in the local area; and
- Clause 7.13B of Sydney LEP 2012, that sets out affordable housing contribution requirements on “planning proposal land” identified on Schedule 6C. Planning proposal land is identified on the schedule where new floor area is created following a rezoning.

Specifically, this planning proposal will amend the Sydney LEP 2012 and the Green Square Town Centre LEPs to:

- include provisions that will allow the consent authority to require a monetary contribution (instead of a dedication of built dwellings) where a site is subject to Clause 7.13 of Sydney LEP 2012 or Clause 6.5 of the Green Square Town centre LEPs;
- include provisions that will allow the consent authority to require the dedication of built dwellings (instead of a monetary contribution) where a site is subject to Clause 7.13B of Sydney LEP 2012;
- update provisions so that affordable housing contributions are to be calculated on Gross Floor Area (GFA), rather than Total Floor Area (TFA);
- update provisions so that the floor area required to be dedicated as dwellings is calculated as GFA, rather than TFA;
- remove the requirement that dedicated affordable housing dwellings must be no larger than 90 square metres (Clauses 6.70 and 7.13B of the Sydney LEP);
- include clarification about how the affordable housing principles set out in the Program apply to resulting affordable housing; and
- update provisions to make reference to an updated Program (all affected clauses). The Program will:
  - update equivalent monetary contribution rates (dollar rates) that will apply where a developer is to satisfy an affordable housing contribution by making a monetary contribution. Where currently only a single dollar rate is set out in the Program, the draft Program includes bespoke rates for various sub-precincts in the local government area

(LGA), specific to their individual market conditions. All rates are updated from the current rates. New rates are to be phased-in over a period of four years;

– delay the increased dollar rates for build-to-rent and co-living housing in Central Sydney;

– simplify the contribution requirements for where a rezoning results in increased development capacity;

– set out where the dedication of built affordable housing dwellings is required; and

– make various housekeeping amendments to clarify current processes or simplify readability.

A draft City of Sydney Affordable Housing Program (draft Program) is proposed in conjunction with this planning proposal. The draft Program is to replace the current Program that was adopted by the Council on 26 June 2023. The draft Program sets out the amendments described above.

This planning proposal has been prepared in accordance with the *Local Environmental Plan Making Guideline*, published by the Department of Planning and Environment in August 2023.

## 1.2. Affordable housing in the City of Sydney

Sustainable Sydney 2030-2050: Continuing the Vision and the City's Local Housing Strategy: Housing for All, includes a target that 7.5 percent of all private dwellings be affordable housing. Based on a private dwelling target of about 156,000 to 2036, an estimated 12,000 affordable dwellings are required to achieve the City's target to 2036.

As at 30 June 2024, the City has 1,447 built affordable housing units in the local area, 556 dwellings in the development pipeline and a further 1,385 in the pre-application stage. Over 60% of built dwellings have resulted from the contributions made pursuant to Clause 7.13 of the Sydney LEP and Clause 6.5. These contribution requirements are projected to deliver a further 1,950 additional affordable dwellings to 2036. However, this estimate will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market, that is, the amount of development that occurs. This is highly influenced by the market conditions of the day;
- the way land develops, for example if more land is developed for commercial premises, rather than housing, there will be less contribution funds;
- the ability of community housing providers (CHPs) to successfully leverage contribution funds and existing property portfolios, and their ability to attract funding under the Housing Australia Future Fund (HAFF) or other funding sources; and
- NSW Government policy directions.

The known built, pipeline, expected and projected affordable housing dwellings equal around 5,338 affordable rental dwellings and affordable diverse dwellings to 2036. This is less than half of the 12,000 affordable housing dwellings needed to achieve the City's target for 7.5% of all housing in be affordable housing.

In addition, the City continues to seek innovative ways to use our planning controls to increase the amount of affordable housing, for example, the preferential zoning scheme that applies in the City south in areas such as E3 Productivity Support zone, North Alexandria.

## 1.3. Planning proposal process

This planning proposal is to amend the affordable housing provisions in the Sydney LEP 2012 and the Green Square LEPs in the manner set out in Section 4 of this planning proposal.

This planning proposal will be publicly exhibited together with the draft Program, provided in conjunction with this planning proposal, that is proposed to replace the current Program.

The justification for the proposed amendments to the Sydney LEP 2012, the Green Square LEPs and the current Program is set out in Part 5 of this planning proposal.

Following public exhibition, submissions received from the public, and from government or government authorities, will be considered by the Council and the Central Sydney Planning Committee. Before finalising the Sydney LEP 2012, the Green Square Town Centre LEPs and the draft Program, further changes may be made because of matters raised in submissions.

# 2. Existing planning controls

## 2.1. Affordable housing contribution requirements in the LGA

The Sydney LEP 2012 and the Green Square Town Centre LEPs, together with the City of Sydney Affordable Housing Program (Program), provide a framework for the affordable housing contribution requirements that may apply to development in the local area, including those pursuant to:

- Clause 6.70 of Sydney LEP 2012, that sets out affordable housing contribution requirements on Blackwattle Bay;
- Clause 7.13 of Sydney LEP 2012 and Clause 6.5 of the Green Square Town Centre LEPs, that set out a broad-based affordable housing contribution requirement on all eligible development in the local area; and
- Clause 7.13B of Sydney LEP 2012, that sets out affordable housing contribution requirements on “planning proposal land” identified on Schedule 6C. Planning proposal land is identified on the schedule where new floor area is created because of a rezoning.

*Green Square, Central Sydney, Ultimo-Pyrmont, Southern Employment Lands and residual lands*

Clause 7.13 of Sydney LEP 2012 and Clause 6.5 of the Green Square Town Centre LEPs, that set out a broad-based affordable housing contribution requirement on all eligible development in the local area. The LEPs:

- set out the different contribution areas (geographies) in the LGA, dividing the LGA into Green Square, Central Sydney, Ultimo-Pyrmont, Southern Employment Lands or residual land;
- set out the contribution requirement, being:
  - in Green Square, the Southern Employment Lands and Ultimo/Pyrmont, 1% of non-residential floor area and 3% of residential floor area.
  - in Central Sydney and on residual land, 0.5% of non-residential floor area for development applications lodged prior to 1 July 2022, and 1% thereafter, and 1.5% of residential floor area for development applications lodged prior to 1 July 2022 and 3% thereafter.
- allow for an equivalent monetary contribution to be made, instead of a dedication requirement, in accordance with the Program.

The purpose of the Program is to provide the operational and management requirements for the administration of the scheme, including:

- the principles by which affordable rental housing is to be provided and managed;
- an equivalent monetary contribution rate (dollar rate) a developer may contribute, in lieu of dedicating floor area;
- examples of how a monetary contribution is to be calculated in different contribution areas;
- the approach to indexing the dollar rate and a contribution requirement over time; and
- who receives contribution funds and how they must be used.

The equivalent monetary contribution rate (dollar rate) is $11,176.22/sqm of Total Floor Area (TFA) (up until 28 February 2025 when the rate will be indexed). The calculation of TFA is set out in the LEP clause.

Funds are distributed between three CHPs, being City West Housing, St George Community Housing and Bridge Housing, in accordance with the City of Sydney Affordable Housing Contributions Distribution Plan, adopted by Council on 11 March 2024.

This planning proposal is to make amendments to the above requirements, as described in Section 4 and 5.

### *Planning proposal land*

Clause 7.13B of Sydney LEP 2012 sets out affordable housing contribution requirements on 'planning proposal land' identified on Schedule 6C. The contribution requirement varies on different land.

Planning proposal land is identified on the schedule where new floor area is created because of a rezoning. This planning proposal does not add any land to the schedule, nor does it make any change to the current contribution requirements in the schedule.

The Program provides in its appendices a standardised approach to establishing the contribution requirement that will be applied to new residential floor area. The contribution requirement is differentiated by precinct, recognising the different market characteristics and price hierarchy that exists between precincts. The rates are not currently established in any planning instrument, rather they are set out in the Program to act as a guide for negotiating an appropriate rate in the context of a planning proposal to increase development capacity.

The current contribution requirement is set out at Table 1.

**Table 1:** Current contribution requirement applied where a rezoning creates additional development capacity (applied to the new floor area)

| Precinct* | Contribution requirement** |
|---|---|
| Central Sydney | 13% subject to site specific viability testing |
| West precinct | 12%*** |
| South precinct | 12%*** |
| East precinct | 21%*** |

* The precinct boundaries align with those shown in the City's Development Contribution Plans.

** The contribution applies to new residential floor area achieved on land zoned for residential purposes.

*** incorporates any requirement in an LEP for a 3% levy contribution to affordable housing. For example, the 21% requirement in the East precinct includes 18% for new residential floor area on planning proposal land, plus the 3% broad-based levy requirement. Where no other contribution requirement applies, the full 21% may be applied.

### *Blackwattle Bay*

Clause 6.70 of Sydney LEP 2012 sets out the affordable housing contribution requirement on land at Blackwattle Bay. The LEP requires 7.5% of the Total Floor Area (TFA) of development be dedicated as affordable housing. It allows for an equivalent monetary contribution to be made, instead of a dedication requirement, in accordance with the City of Sydney Affordable Housing Program (Program).

### *Redfern Waterloo Authority lands*

A contribution requirement applies to sites in the Redfern Waterloo Authority lands, pursuant to State Environmental Planning Policy (Precincts—Eastern Harbour City) 2021.

The Redfern Waterloo Authority Affordable Housing Contributions Plan 2006 sets out the affordable housing contribution requirements for any State Significant Development in the Redfern Waterloo Authority operational area.

The contribution equivalent to the estimated cost of the provision of affordable housing comprising 1.25% of the total gross floor area of the development.

The equivalent monetary contribution rate is established at the point of development application based on current property data.

Funds are remitted to Infrastructure NSW.

This planning proposal has no effect on this requirement.

*Other requirements in Sydney LEP*

Clause 7.13A of the Sydney LEP 2012 includes a clause facilitating the development of affordable housing in parts of its E3 – Productivity Support zone, that do not otherwise permit residential development.

This planning proposal has no practical effect on these requirements, other than referring to an updated Program and making a minor clarification about the application of the affordable housing principles in the Program.

# 3. Objectives and intended outcomes

## 3.1. Objectives

The objectives of this planning proposal are to amend the Sydney LEP 2012, the Green Square Town Centre LEPs and the City of Sydney Affordable Housing Program (Program), that is referred to by the LEPs, to:

- increase the amount of affordable housing provided in the local area;
- ensure that contribution requirements are equitable across different parts of the City;
- ensure equivalent monetary contribution rates (dollar rates) are equivalent to the true cost of building and dedicating affordable housing; and
- improve the efficacy and efficiency of the City's affordable housing requirements.

## 3.2. Intended outcomes

The intended outcomes of this planning proposal are to amend the Sydney LEP 2012, the Green Square Town Centre LEPs and the Program, that is referred to by the LEPs, to:

- ensure that where a monetary contribution is made to satisfy an affordable housing contribution requirement, that it is generally equivalent in value to any contribution that might otherwise be satisfied by dedicating built affordable housing dwellings;
- enable the consent authority to require a contribution requirement be satisfied in a particular way, depending on the nature of the contribution requirement;
- provide a clearer and more efficient approach for the calculation of floor area to which the contribution requirement applies; and
- remove any barrier to the delivery of affordable housing for families or for cultural groups that may require larger homes.

# 4. Explanation of provisions

## 4.1. Proposed amendment to Sydney LEP 2012 and Green Square Town Centre LEPs

This planning proposal is to amend Sydney LEP 2012 and the Green Square Town Centre LEPs to achieve the objectives and intended outcomes described in Section 3 of this planning proposal.

## 4.2. Drafting instructions

To achieve the objectives and the intended outcomes, this planning proposal is to amend the Sydney LEP 2012 and Green Square Town Centre LEPs as provided at Table 2.

**Table 2:** Drafting instructions

| Ref | Drafting instruction | Explanation of provision |
|---|---|---|
| **Sydney LEP 2012 and the Green Square Town Centre LEPs** | | |
| 1. | In the Sydney LEP 2012 and Green Square Town Centre LEPs, change all references to the “City of Sydney Affordable Housing Program adopted by the Council on 26 June, 2023”, to instead refer to “City of Sydney Affordable Housing Program adopted by the Council on XX XX XX” [date of adoption of Program to be inserted]. Current clauses requiring amendment include:<br>• Sydney LEP 2012 – clauses 6.60B, 6.70, 7.13, 7.13A, 7.13B<br>• Green Square Town Centre LEP 2013 – clause 6.5<br>• Green Square Town Centre LEP 2013 (Stage 2) – clause 6.5 | The amendment is to update references in the Sydney LEP 2012 and Green Square Town Centre LEPs to the “City of Sydney Affordable Housing Program adopted by the Council on 26 June 2023”, to “City of Sydney Affordable Housing Program adopted by the Council on XX XX XX”, with the date of adoption of Program to be inserted when known.<br>The City’s Program is proposed to be amended to:<br>• update equivalent monetary contribution rates that will apply where a developer is to satisfy an affordable housing contribution by making a monetary contribution;<br>• set out where the dedication of built affordable housing dwellings is required;<br>• update the contribution rates for planning proposal land; and<br>• make various housekeeping amendments to clarify current processes or simplify readability. |
| 2. | In the Sydney LEP 2012 and Green Square Town Centre LEPs, amend Clause 1.8A to ensure the amended planning controls are only to apply to development applications that are lodged after the amended planning controls come into effect. | Ensure the amended planning controls are only to apply to development applications that are lodged after the amended planning controls come into effect. |
| **Sydney LEP 2012** | | |

| Ref | Drafting instruction | Explanation of provision |
|---|---|---|
| 2. | In the Sydney LEP 2012, amend the current clause 6.60B(7)(b) to require that any affordable housing provided pursuant to clause 6.60B will be provided in accordance with the affordable housing principles set out in the *City of Sydney Affordable Housing Program*, dated XX XX XXX. | This amendment is to clarify affordable housing provided pursuant to this clause need only be provided in accordance with the affordable housing principles in the City of Sydney Affordable Housing Program, and not any other requirement of the Program. |
| 3. | In the Sydney LEP 2012, amend the current clause 7.13A(1)(c) to require that any affordable housing provided pursuant to clause 7.13A will be provided in accordance with the affordable housing principles set out in the *City of Sydney Affordable Housing Program*, dated XX XX XXX. | This amendment is to clarify affordable housing provided pursuant to this clause need only be provided in accordance with the affordable housing principles in the City of Sydney Affordable Housing Program, and not any other requirement of the Program. |
| 4. | In the Sydney LEP 2012, amend the current clause 6.70 to change all references to 'total floor area' to 'gross floor area'. | This amendment will update Sydney LEP clause 6.70 so that:<br>• the calculation of the contribution is based on the amount of GFA in a building, rather than TFA; and<br>• the dedication of any built floor area is to be provided as GFA, rather than TFA. |
| 5. | In the Sydney LEP 2012, amend the current clause 7.13 to:<br>• remove the term / definition for 'total floor area'; and<br>• change all references to 'total floor area' to 'gross floor area' | This amendment will update clause 7.13 of the Sydney LEP so that the calculation of the contribution is based on the amount of GFA in a building, rather than TFA.<br><br>It is noted the definition of 'total floor area' currently excludes from its calculation any floor area related to affordable housing, public housing, community facilities and development in the E4 – General Industrial zone. It is proposed to detail these exclusions in the Program, rather than in the LEP. |
| 6. | In the Sydney LEP 2012, amend the current Schedule 6C to change all references to 'total floor area' to 'gross floor area' | This amendment will update Schedule 6C of the Sydney LEP so that the calculation of the contribution is based on the amount of GFA in a building, rather than TFA. |
| 7. | In the Sydney LEP 2012, amend the current clause 7.13(3) to require the affordable housing levy contribution be satisfied by monetary contribution only. | The amendment will:<br>• require the affordable housing levy contribution be satisfied by monetary contribution; and<br>• remove the current ability for an affordable housing levy contribution to be satisfied by dedicating built dwellings. |
| 9. | In the Sydney LEP 2012, amend the current clause 7.13B(4) to allow the consent authority to require the dedication, in favour of the | The amendment is to include a requirement in Clause 7.13B(4) of the Sydney LEP to allow the consent authority to require the affordable |

| Ref | Drafting instruction | Explanation of provision |
|---|---|---|
| | Council, of land comprising dwelling/s, in accordance with the requirements of the City of Sydney Affordable Housing Program, with any remainder being paid as a monetary contribution.<br><br>Where the Consent Authority does not require the dedication of dwellings, the landowner must satisfy the contribution requirement by making an equivalent monetary contribution (in accordance with the City of Sydney Affordable Housing Program).<br><br>In making the above change, reference to 'one or more dwellings' should be removed in favour of a more generic reference to 'dwelling/s'. This is to remove any potential conflict with the Program, that may require dedication of built dwellings only where multiple dwellings are being provided. | housing levy requirement be satisfied by dedication of built affordable housing dwellings (in favour of a monetary contribution). Where dedication is not required, the requirement <u>must</u> be satisfied by making a monetary contribution.<br><br>The City's Program is proposed to set out where the consent authority will require the dedication of built dwellings (see further explanation later in this planning proposal).<br><br>It is also proposed to remove from the clause reference to 'one or more dwellings' in favour of a more generic reference to 'dwelling/s'. This is to remove any potential conflict with the Program, that may require dedication of built dwellings only where multiple dwellings are being provided |
| 10. | In the Sydney LEP 2012, remove the maximum size of affordable housing of 90 square meters that is currently imposed by:<br><br>• clause 6.70(4)(a)<br><br>• clause 7.13B(4)(a) | The amendment is to remove the requirement in Clause 7.13B and 6.70 of the Sydney LEP that dedicated affordable housing dwellings must be no larger than 90 square metres.<br><br>By removing the upper size limit, dedicated dwellings are only required to be no smaller than 35 square metres in size, with no limit on how large they are. |
| | **Green Square Town Centre LEP and**<br><br>**Green Square Town Centre LEP – Stage 2** | |
| 11. | In the Green Square Town Centre LEP and the Green Square Town Centre LEP – Stage 2, amend the current clause 6.5 to require the affordable housing levy contribution be satisfied by monetary contribution only. | The amendment will:<br><br>• require the affordable housing levy contribution be satisfied by monetary contribution; and<br><br>• remove the current ability for an affordable housing levy contribution to be satisfied my dedicating built dwellings. |
| 12. | In the Green Square Town Centre LEP and the Green Square Town Centre LEP – Stage 2, amend the current clause 6.5 to:<br><br>• remove the term / definition for 'total floor area'; and<br><br>• change all references to 'total floor area' to 'gross floor area' | This amendment will update the Green Square Town Centre LEPs so that:<br><br>• the calculation of the contribution is based on the amount of GFA in a building, rather than TFA; and<br><br>• the dedication of any built floor area is to be provided as GFA, rather than TFA.<br><br>It is noted the definition of 'total floor area' currently excludes from its calculation any floor area related to affordable housing, public |

| Ref | Drafting instruction | Explanation of provision |
|---|---|---|
| | | housing, community facilities and development in the E4 – General Industrial zone. It is proposed to detail these exclusions in the Program, rather than in the LEP. |

The recommended detailed changes to the Sydney LEP and Green Square Town Centre LEPs clauses for the above drafting instructions are appended to this planning proposal.

The justification for the above amendments is provided at Section 5 of this planning proposal.

## 4.3. Draft City of Sydney Affordable Housing Program

To achieve the objectives and the intended outcomes of this planning proposal, the Program, that has legal relevance by virtue of being referenced in the Sydney LEP 2012 and Green Square Town Centre LEPs, is proposed to be amended in the manner set out in the draft Program provided in conjunction with this planning proposal. Key amendments to the Program are set out, explained and justified in Section 5.

# 5. Justification of merit

## 5.1. Proposed amendment to LEPs

This section includes justification for the proposed amendments to the Sydney LEP 2012 and the Green Square Town Centre LEPs.

*Amendments to reference an updated Program*

This planning proposal will amend all references in the Sydney LEP 2012 and Green Square Town Centre LEPs to the "City of Sydney Affordable Housing Program adopted by the Council on 26 June 2023", to "City of Sydney Affordable Housing Program adopted by the Council on XX XX XX", with the date of adoption of the Program to be inserted when known.

Effect

The proposed amendment will refer to an updated Program, that will:

- update equivalent monetary contribution rates (dollar rates) that will apply where a developer is to satisfy an affordable housing contribution by making a monetary contribution;
- update the contribution requirement for planning proposal land;
- set out where the dedication of built affordable housing dwellings is required; and
- make various housekeeping amendments to clarify current processes or simplify readability.

The proposed amendments to the Program are discussed in detail at Section 5.2.

Justification

This amendment to the Sydney LEP 2012 and the Green Square Town Centre LEPs is required to ensure contributions will be made in accordance with updated requirements in the City's Program, as proposed in the draft Program that is provided in conjunction with this planning proposal, and the justification for which is provided at Section 5.2.

*Amendments to require a contribution be satisfied by making a monetary contribution (Clause 7.13 of Sydney LEP 2012 and Clause 6.5 in the Green Square Town Centre LEPs)*

This planning proposal is to amend Clause 7.13 of the Sydney LEP 2012 and Clause 6.5 of the Green Square Town Centre LEPs to require the affordable housing contribution requirement be satisfied by making a monetary contribution.

Effect

The current provisions in the Sydney LEP and the Green Square Town Centre LEPs allow a developer to choose whether they satisfy their affordable housing contribution requirement by making an equivalent monetary contribution, or by dedicating built affordable housing dwellings to council. Where the dedication of dwellings only partially satisfies a contribution requirement, any remainder must be paid as a monetary contribution to the Council.

The effect of this planning proposal is to ensure that the affordable housing contribution requirement that is required pursuant to Clause 7.13 of the Sydney LEP 2012 and Clause 6.5 of the Green Square Town Centre LEPs can only be satisfied by making a monetary contribution.

Justification

The City undertook targeted consultation with the Recommended community housing providers (CHPs) identified on the City of Sydney Affordable Housing Contributions Distribution Plan (Distribution Plan), adopted by Council on 11 March 2024. The purpose of the consultation was to understand the best approach for the receipt of contributions for the future – i.e. should dedicated dwellings be required, or are monetary contributions a better approach – and, to understand any issues associated with receiving dedicated dwellings. A summary of the City's consultation with CHPs to better understand where the dedication of dwellings is an appropriate outcome is provided in conjunction with this planning proposal.

The consultation revealed key considerations for, and challenges relating to, the receipt of affordable dwellings delivered by developers.

To maximise affordable housing outcomes, CHPs have advised that where contribution funds are well leveraged, they can be stretched much further to deliver more affordable housing. Moreover, the resulting affordable housing is typically more suitable for their needs. In the long term more, and more appropriate, affordable housing will result from CHPs developing their own sites. This is because where housing is developed by a CHP:

- there are a range of tax incentives available to CHPs, for example they are not subject to the Goods and Services Tax (GST), making delivery of housing cheaper;
- they can access low-cost finance from Housing Australia;
- they can apply for funding under the Australian Government's Housing Australia Future Fund Facility (HAFFF);
- when available, they can pair contribution funds with other grants that may be available from the federal or state government or from local government (such as subsidised land sales); and
- they are not subject to the same profit requirements that are generally needed by for-profit providers to achieve project viability.

To achieve positive affordable housing outcomes, including financial sustainability, CHPs raised the following key matters:

management efficiencies – CHPs advised that the costs and inefficiencies of managing multiple properties scattered throughout various developments, can be considerable. These relate to the additional costs and resourcing associated with the administrative burden of managing multiple strata arrangements and requirements, the practical challenges of physically maintaining properties with different needs across a wide geographic area, and the reduction in community support facilities and services that can be feasibly provided to tenants. Concentrating efforts where more than a handful of dwellings can be delivered is more efficient.

- strata costs – it is not unusual for new development in the local area to incorporate on-site facilities for future residents, such as gyms, pools, high end lifts (sometimes multiple) and rooftop amenities, resulting in high strata fees that can absorb rental returns. This can increase where special levies are payable for significant works to the building and/or common property.
- where a CHP owns and manages the whole of the building, strata fees are not payable, leaving rental income available to maintain the property, service any debt on the dwellings and potentially for additional affordable housing. However, should CHPs be required to pay strata or management fees on dedicated apartments, this could absorb almost all rental income, particularly as the Program limits rents to no more than 30% of household income. If dedicated dwellings are received, CHPs indicated a preference for extracting the dedicated dwellings from future strata costs or to limit costs in some way.

Key issues were also raised by CHPs around the ability to influence the design and construction quality of dwellings they are to receive and ensure their long-term suitability, noting key decisions are often made by the developer before a CHP can be involved in the project. A CHP's considerations for design and construction include:

- geographic location – affordable housing should be well located so that tenants can access high frequency public transport, access to services, such as a reasonably priced grocery store, health services and so on, without needing to rely on a private vehicle. While this is a City-wide aspiration for all residential development, it is particularly important for affordable housing, whose tenants are less likely than the general population to have the financial capacity to maintain ownership of a private vehicle. It is also noted that affordable housing developments may also have a higher proportion of tenants who have a disability, increasing the importance of accessible access to public transport options and services;

- on-site access arrangements – it is common that affordable housing developments have a higher-than-average proportion of tenants who are living with a disability. It is therefore important that affordable housing dwellings are cognisant of access requirements, with particular attention paid to accessibility in situations where lifts are out of service;

- fit-out – durability and cost of maintenance is the main concern raised by CHPs with regards to the long-term management of dedicated affordable housing dwellings. For example, the durability and cost of the materials used in kitchens and bathrooms, with good quality materials with greater longevity being preferred, but also materials that are not very expensive to replace. For example, good quality laminate benches may be preferred to stone benches;

- flexibility and universal accessibility – CHPs note the importance of maximising flexibility so that a range of different tenants, including those who live with a disability, may live in the dwelling;

- dwelling size and mix - where possible a mix of one, 2 and 3 bedroom dwellings enables the provider to house a range of households and positions them to be able to meet future housing needs;

- servicing – while extensive parking may not be a requirement for affordable housing that is well located to transport and services, some parking and servicing is generally required for service vehicles, shared vehicles and for vehicle access for tenants living with a disability;

- design for reduced living cost – ensuring affordable dwellings are designed to minimise costs to future tenants is critical. For example, the installation of fans and maximising opportunities for cross ventilation will reduce the need for tenants to utilise expensive air-conditioning. CHPs also noted avoiding embedded networks and such is important to manage costs to tenants; and

- external appearance – whilst internal fit out needs to be specific to the needs of CHPs and their tenants, the quality of the external appearance of affordable housing dwellings, and the inclusion of visible external spaces such as balconies or courtyards, are generally required to match that of other dwellings in the development. This is to ensure that affordable housing cannot be visually differentiated as such.

The consultation with CHPs has directly informed proposed amendments about how a contribution requirement must be satisfied, and in what circumstance. The reason and rationale for requiring monetary contributions to satisfy affordable housing contributions required under Clause 7.13 of the Sydney LEP 2012 and Clause 6.5 of the Green Square Town Centre LEPs, and removing the ability for proponents to instead dedication of built dwellings, is as follows:

- the size of the contribution (only 3% and 1% of residential and non-residential floor area respectively) is relatively small compared to a contribution required where new floor area has been created because of a rezoning, generally resulting in only modest amounts of floor area. Small numbers of affordable rental units spread across disparate development sites will create financially unsustainable outcomes for CHPs and present significant management challenges. Viable affordable rental tenancies will be threatened by the financial cost of multiple strata schemes, which are notoriously difficult to predict, and exposure to future increases in strata costs;

- a monetary contribution can be better leveraged by CHPs to generate a greater number of affordable dwellings. The range of tax incentives, low-cost finance and complementary funding sources available to CHPs can stretch the City's contribution funds further when affordable housing is built by CHPs themselves;

- housing delivered by CHPs is generally better suited to the needs of their tenants, being designed specifically to minimise ongoing living costs. For example, the electrification of building and passive design are priorities for CHPs to reduce the living costs of their tenants. The design priorities of a build-to-sell developer may differ from that of a CHP;

- housing delivered by another party presents potential long-term financial and practical risks for a CHP, particularly where defects are identified post-handover. It also increases risk to developers should dwellings not be accepted at the end of the design and build process, potentially causing delays and adding costs;

- a condition of consent that requires a monetary contribution is significantly less complex than arranging dedicating dwellings. This is because a monetary contribution requirement is a straight-forward calculation that is simply inserted on the condition as payable before construction, however, a dedication requirement requires significantly more involvement, including:

  – further negotiations with the proponent and CHP to refine the design of the development to ensure the resulting housing is appropriate to be used as affordable housing; and

  – the need for extensive legal expertise and resources to draft appropriate and enforceable conditions of consent, as well as to draft, review and execute the necessary legal instruments needed to secure the affordable housing, for example, deeds of agreement, contracts of sale and/or voluntary planning agreements;

- the constrained assessment timeframes for a development application required of the City by the state government provides significantly reduced opportunity for a robust process which can deliver optimal affordable housing outcomes that meet the needs of CHPs. As benchmark assessment timeframes are further reduced by the state government, the complexities of requiring developers to dedicate affordable housing will mean assessment timeframes cannot be reasonably met; and

- an unintended consequence of requiring wide-scale dedication of dwellings could be to inhibit some forms of development in the City. This may be exacerbated by the potential impact on obtaining necessary financing when developments include affordable housing. Given the current economic climate and housing crisis in NSW, this would not be a desirable outcome.

*Amendments to allow the consent authority to direct how a contribution requirement must be satisfied (Clause 7.13B of Sydney LEP 2012)*

This planning proposal is to amend Clause 7.13B of the Sydney LEP 2012 to allow the consent authority to require the dedication of built dwellings, where it is in accordance with the requirements of the Program.

Where the consent authority does not require the dedication of built dwellings, it may require the contribution be satisfied by making a monetary contribution.

The City's Program is to be amended to include detailed criteria about where the consent authority will require the dedication of dwellings. Where the dedication of dwellings is not required, a monetary contribution will be required, that is the proponent cannot opt in to the dedication of dwellings.

The proposed amendment to the Program is discussed in further detail at Section 5.2.

<u>Effect</u>

The current requirement in Clause 7.13B of the Sydney LEP 2012 allows a developer to choose whether they satisfy their affordable housing contribution requirement by making an equivalent monetary contribution, or by dedicating built affordable housing dwellings to council. Where the dedication of dwellings only partially satisfies a contribution requirement, any remainder must be paid as a monetary contribution to the Council.

The effect of this planning proposal is to give the consent authority the ability to require that a developer must dedicate built dwellings to Council, but only where the circumstances of the development meet the criteria set out in the Program. The dwellings must be dedicated to Council to be used for affordable housing. The dwellings are then passed to a CHP in accordance with the City of Sydney Affordable Housing Contributions Distribution Plan, adopted by Council on 11 March 2024.

If the consent authority does not require the dedication of built affordable housing dwellings, because they do not align with the criteria in the Program, then the consent authority will require that a proponent must satisfy their contribution requirement by making an equivalent monetary contribution.

Justification

Sites that are subject to the requirements of Clause 7.13B in the Sydney LEP 2012 are listed on Schedule 6C of the LEP. The sites are referred to as "planning proposal land" and have been included on Schedule 6C because they have benefited from a rezoning that has created additional development capacity on the site.

Informed by consultation with CHPs, the reason and rationale for requiring dedication of built dwellings for planning proposal land (instead of monetary contributions), in appropriate circumstances, is as follows:

- rezoning proposals are more likely to be of sufficient scale to deliver meaningful and financially sustainable numbers of affordable dwellings that can be more easily and viably managed by CHPs over the longer term;

- the typical, longer timeframe of a planning proposal / rezoning process and higher-level nature of the development proposal at planning proposal stage provide the best opportunity to work through the detailed considerations of an on-site affordable housing offering;

- rezoning proposals are typically supported by voluntary planning agreements, which is the preferred approach to delivering on-site affordable housing. These allow opportunity to resolve and secure specific agreements around deliverables, timings and expectations for any subsequent development, providing improved certainty for both the developer and receiving CHP on the final delivered outcome; and

- requiring the dedication of built dwellings in defined circumstances can circumvent the need for CHPs to purchase land for the development of affordable housing. This can be challenging in the City of Sydney, where competition for land is very high.

Notwithstanding the above, it is important that built dwellings proposed for dedication are appropriate for affordable housing, in terms of location, built form, fit-out and sustainability of long-term management costs (in particular strata costs). The proposed parameters for where dedication of dwellings will be required are to be included in the draft Program and are discussed in further detail at Section 5.2.

*Amendments to remove references to 'Total Floor Area' in favour of 'Gross Floor Area'*

This planning proposal is to replace references in the Sydney LEP and the Green Square Town Centre LEPs to 'total floor area' (TFA) with 'gross floor area' (GFA).

Effect

The common metric used to quantify floor area in an LEP is GFA. The method to calculate GFA, that establishes the elements of a building that are included and not included in the count, is set out in NSW Government's Standard Instrument – Principle Local Environmental Plan (2006 EPI 155a), and as such is a statewide standard applied consistently across all compliant planning instruments.

Currently, the contribution requirement in the Sydney LEP 2012 and the Green Square Town Centre LEPs is calculated based on a proportion of TFA. Total floor area is a bespoke definition that applies only in these LEPs to affordable housing requirements. TFA is defined differently to GFA, with the key difference being that balconies and internal circulation spaces are included in the calculation of TFA.

While it varies significantly across different developments, generally, the calculation of TFA in a residential development is at least 10 per cent more than GFA. That is, where a development application is lodged for a residential development with 10,000 square metres of GFA, the TFA in the same development will be at least 11,000 square metres. The contribution requirement would be 3% of 11,000 square metres, being 330 square metres of TFA that must be dedicated for affordable housing.

If a contribution is to be satisfied via a monetary contribution instead of a dedication of built floor area, an equivalent monetary contribution rate is applied to the total floor area requirement. The equivalent monetary contribution rate in the current Program is set at a dollar amount which would deliver an equivalent amount of TFA (rather than GFA) for affordable housing, that is, it would deliver an affordable housing unit with balcony and associated circulation space.

The effect of this planning proposal is to instead calculate the contribution requirement using GFA. Using the same example, the contribution requirement would be 3% of 10,000 square metres, being 300 square metres of GFA that must be dedicated for affordable housing.

In practice, the change from using TFA to GFA does not have a material impact on expected contributions, because:

- where dedication of a built dwelling is made to satisfy a contribution requirement, the same amount of internal living space is generally required, that is, in the example described above, 300 square metres of internal living space (GFA) is being provided; and
- where an equivalent monetary contribution is made to satisfy an affordable housing contribution requirement, the proposed contribution rate (discussed elsewhere in this planning proposal) reflects the cost of delivering a square metre of GFA, rather than TFA.

It is noted that as a consequence of removing the definition for TFA from clauses in the Sydney LEP 2012 and the Green Square Town Centre, that any floor area for affordable housing, public housing, community facilities and development in the E4 – General Industrial zone would no longer be excluded from needing to make an affordable housing contribution.

It is proposed to amend the Program to clarify these types of floor area will continue to be excluded from having to make an affordable housing contribution, taking the opportunity in the Program to more clearly define the meaning of each type of development. The draft Program is discussed in further detail at Section 5.2.

<u>Justification</u>

This amendment to the Sydney LEP 2012 and the Green Square Town Centre LEPs is proposed to:

- simplify and streamline the development application process, allowing for a single measurement of floor area that is applied consistently across all LEP planning requirements i.e. a development application will only require one set of plans that calculate GFA, and not a second set of plans calculating TFA;
- make the requirement easier for proponents to understand and calculate;
- allow for consistency of understanding, application and benchmarking across other affordable housing provisions in the NSW planning framework, such as the infill provisions in the State Environmental Planning Policy (Housing) 2021.

*Amendments to remove the maximum floor area for dedicated dwellings (Clause 6.70 and 7.13B of Sydney LEP 2012)*

This planning proposal is to remove the requirement in the Sydney LEP that dedicated affordable housing dwellings must be no larger than 90 square metres.

<u>Effect</u>

Clause 6.70 and 7.13B of Sydney LEP 2012 currently require that where a dwelling is to be dedicated to council that is must be between 35 square metres and 90 square metres in size.

By removing the upper size limit, dedicated dwellings are only required to be no smaller than 35 square metres in size, with no limit on how large they are.

The size of the dwellings to be dedicated is agreed in the development application process. The size, together with their location in the development, and other minimum requirements, such as minimum fit-out requirements, are set out in a condition of consent and/or associated documents required by the condition.

Justification

This amendment to the Sydney LEP 2012 is proposed to allow for a diversity of dwelling sizes to be provided for affordable housing. The current limitation imposed on the size of dwellings means that larger dwellings that accommodate families, or that are needed to accommodate cultural groups that may need more space, cannot be provided under these requirements.

Therefore, the proposed amendment facilitates the delivery of affordable housing that is appropriate to diverse needs.

It is unlikely that the proposed amendment would have any significant negative impact on the overall quantum of affordable housing in the local area.

## 5.2. Proposed amendment to the Program

This section includes justification for the proposed amendments to the Program.

A draft City of Sydney Affordable Housing Program (draft Program) is provided in conjunction with this planning proposal. The draft Program is proposed for adoption by the Council and will replace the City of Sydney Affordable Housing Program, adopted by the Council on 26 June 2023.

Proposed amendments are explained below.

*Updating the equivalent monetary contribution rate (dollar rate)*

The Program establishes a monetary contribution rate (dollar rate) per square metre of total floor area (TFA) at which a monetary contribution is taken to be equivalent to a floor area dedication requirement.

The current dollar rate is based on the median strata dwelling price in the LGA and assumes that if a CHP is unable to purchase land in the LGA to develop affordable housing that a suitable dwelling could be purchased on the private housing market. The current dollar rate is $11,176.22 per square metre of 'Total Floor Area', and it applies consistently to all areas of the LGA.

However, this rate does not reflect the actual cost to a developer / landowner of delivering a square metre of built housing in the LGA. This has resulted in developers in key areas of the LGA not contributing equitably to the delivery of affordable housing.

Proposed change to the Program

The draft Program sets out the following proposed dollar rates as shown in Table 3 within the affordable housing contribution precincts which are shown in Figure 1.

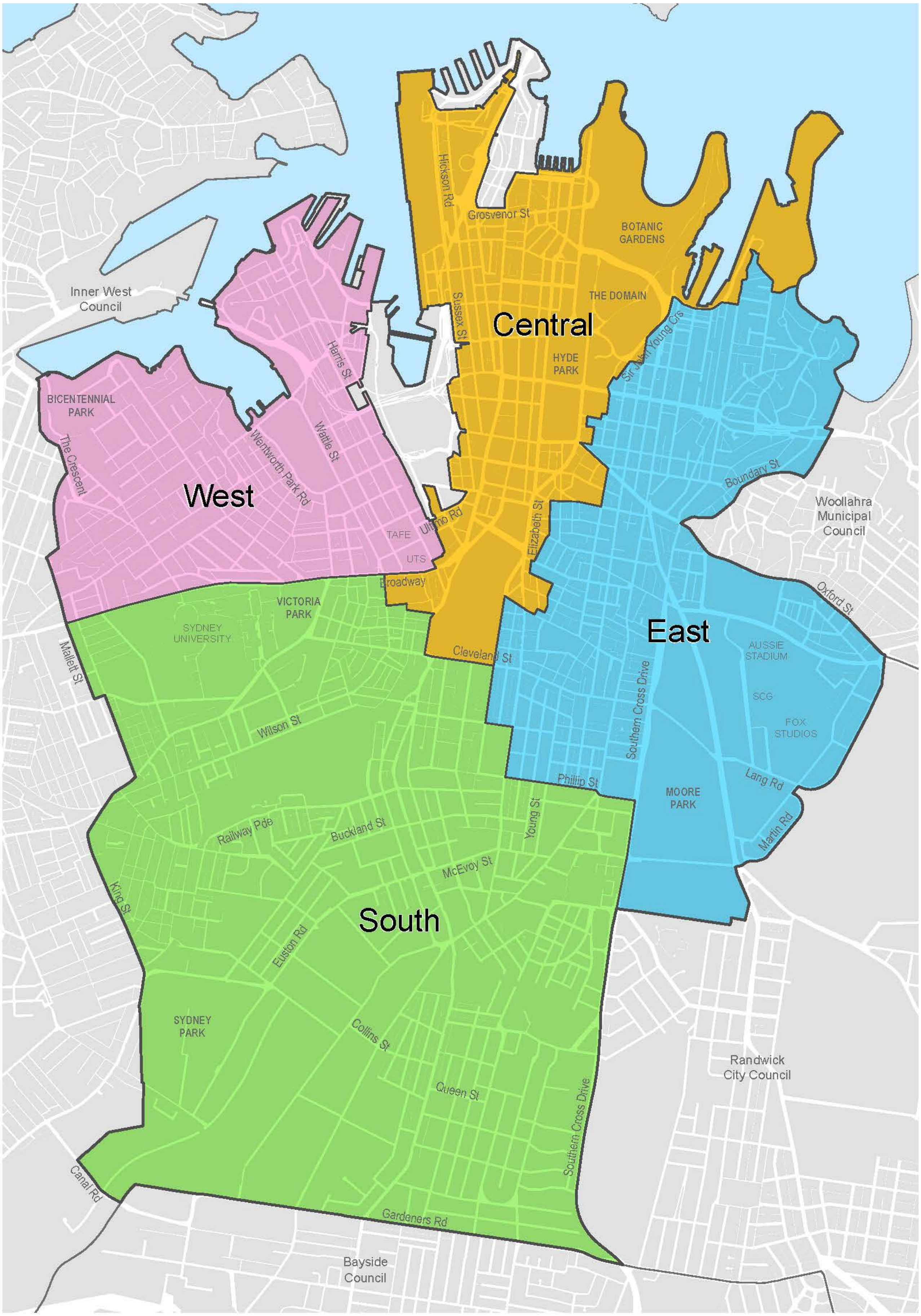
**Table 3:** Proposed equivalent monetary contribution amounts

| Affordable housing contribution precinct | From immediate approval of the Program by Council[1] | 2 years from approval of the Program by Council | 4 years from approval of the Program by Council |
|---|---|---|---|
| South | $12,293.84 | $12,396.92 | $12,500.00 |
| East | $12,293.84 | $16,146.92 | $20,000.00 |
| West | $12,293.84 | $13,646.92 | $15,000.00 |
| Central | $12,293.84 | $14,896.92 | $17,500.00 |

Note:

1. It is noted the current rate in the Program of $11,176.22 per square metre of 'Total Floor Area' is equivalent to the 'From immediate approval of the Program by Council' rate, which is expressed as a per square metre of 'Gross Floor Area' rate. It is noted that development applications lodged prior to the commencement of the LEPs that implement this planning proposal will be subject to the current affordable housing provisions in the Sydney LEP 2012 and the Green Square Town Centre LEPs. This means, until that time the contribution requirement will continue to be based on the amount of 'Total Floor Area' in the development and the associated equivalent monetary contribution amount, as published on the City's website.

**Figure 1:** Affordable housing contribution precincts



The equivalent monetary contribution rates in Table 3 will be indexed annually to ensure they keep pace with the cost of providing housing. The method of indexing is set out in the Program and remains unchanged in the draft Program.

Allowing for standard planning proposal timeframes, approval of the Program is unlikely before late 2025, which would result in 50% implementation of the rate in late 2027 and full implementation in late 2029.

Notwithstanding the dollar rates set out in Table 3, for development in Central precinct, that is entirely for the purpose of build-to-rent housing* or co-living housing**, the equivalent monetary contribution amount will remain at $12,293.84 per square metre (today's dollar rate adjusted to GFA), as indexed, until the date of the full implementation of the rates as set out in Table 3. From that time the concession rate for these housing types will end.

* Provided in accordance with the Housing SEPP.
** As defined in the Standard Instrument – Principle Local Environmental Plan.

Requirement in practice

The affordable housing contribution requirement is established in the development application process. It is at this stage that the amount of gross floor area in the development is known.

The equivalent monetary contribution will be calculated in accordance with the dollar rates (Table 3), requirements and examples set out in the Program. The proposed dollar rates will result in an overall increase in the payable contributions in all precincts. Some examples of how the proposed rates will increase the payable monetary contribution are provided below.

***Example 1 – West precinct***

**Today**

A 10,000sqm residential development in the West precinct of about 133 apartments will make an affordable housing contribution of $3.69m OR 300sqm built dwellings (4 dwellings).

**From full implementation**

The same development will make an affordable housing contribution of $4.5m (in today's dollars).

***Example 2 – South precinct***

**Today**

A 50,000sqm mixed use development (5,000sqm non-residential floor space / 45,00sqm of residential floor space) in the South precinct of about 600 apartments will make an affordable housing contribution of $17.2m OR 1,400sqm built dwellings (19 dwellings).

**From full implementation**

The same development will make an affordable housing contribution of $17.5m (in today's dollars).

***Example 3 – Central precinct***

**Today**

A 75,000sqm commercial development in Central precinct will make an affordable housing contribution of $9.2m.

**From full implementation**

The same development will make an affordable housing contribution of $13.13m (in today's dollars).

***Example 4 – East precinct***

**Today**

A 1,000sqm residential development of about 13 apartments will make an affordable housing contribution of $369k OR 30sqm built dwellings (that must be satisfied by paying a contribution because that resulting apartment would not meet the minimum dwelling size).

**From full implementation**

The same development will make an affordable housing contribution of $600k (in today's dollars).

The value of the contribution requirement will be applied as a condition of consent and must be paid to the City prior to a construction certificate being issued.

Monetary contributions are then distributed to CHPs in accordance with the City of Sydney Affordable Housing Contributions Distribution Plan, adopted by Council on 11 March 2024, to build, own and manage affordable housing in the LGA.

Justification

The review of the dollar rates has been initiated to ensure they are genuinely equivalent to the actual cost to a developer of building and dedicating to Council a square metre of floor area for affordable housing.

To achieve this outcome, and to ensure any changes to the dollar rates do not impact on development viability, the City commissioned Atlas Urban Economics to undertake an economic analysis. The economic analysis is provided in conjunction with this planning proposal.

The City of Sydney LGA is made up of several distinct sub-markets, generally being the Central Sydney, East, West and South ‘affordable housing precincts’ shown in Figure 1. Each precinct is subject to its own planning opportunities, market drivers and underlying land values, all of which influence the highest and best use of a development site, the cost of delivering development, how much development will sell for, and what type of development will occur. For example, the East precinct lends itself to a premium housing product being delivered.

These sub-markets have implications for the current approach to rate-setting, notably:

- the current dollar rate, based on the Sydney local area median strata unit price, only enables the purchase of median priced (older) residential stock in the local area and not new residential units. This difficulty is greatest in the East and Central precincts where the current rate would be equivalent to only a fraction of new residential prices;
- the current dollar rate is not genuinely equivalent to the cost of delivering a square metre of floor area and has been too low in many areas of the City for some time, limiting the funds collected by the City's affordable housing scheme and the ability of CHPs to deliver dwellings; and
- applying a uniform rate across the local area places a disproportionate burden on development in different precincts. 'Lower value' areas in the West and South precincts contribute a significantly greater proportion of revenue compared with 'higher value' areas in the Central and East precincts, with these luxury markets having 'underpaid' proportionally for some time.

To address this, it recommends the uniform dollar rate be replaced with dollar rates for each precinct to better align it with the actual cost of delivering housing in the different precincts. The recommended proposed rates are shown in Table 3.

Detailed testing of development scenarios found that where development is already feasible, the recommended dollar rates are tolerated in all precincts when phased-in over three to four years. The testing examines the ‘worst case’, where land has already been purchased for development and the price paid would not have taken into account the new contributions in preparing their development feasibilities. It shows that a 50% introduction of the new precinct rates results in a relatively minor impact on feasibility, and in subsequent years natural market growth helps to offset any impact.

The Rates Review notes that if higher contributions were to be introduced without a phase in period that it would have significant impact on development feasibility and generally would not to be tolerated by many developments today. This is because of a number of headwinds that currently make it very challenging for development to be feasible. This is a result of the cumulative influence of high existing-use values (and therefore the cost to consolidate a development site), elevated construction costs, and relatively soft end sale values of completed product. As the economic environment stabilises, the phased introduction of increased dollar rates would give development markets the opportunity to adjust.

The phase-in period is important so as not to undermine the delivery of the City's housing pipeline and future housing supply – both market and affordable housing.

The proposed dollar rates in Table 3 are cognisant of other changes made by this planning proposal, specifically the proposal to replace references in the Sydney LEP and the Green Square Town Centre LEPs to ‘total floor area’ with ‘gross floor area’. The rationale and justification for these changes are made elsewhere in this planning proposal, however, it is relevant to note here the proposed dollar rates in Table 3 are equivalent to the actual cost of delivering a square metre of gross floor area, rather than total floor area.

The delayed introduction of the proposed dollar rates for build-to-rent housing and co-living housing in Central Sydney is cognisant of the City’s efforts (in a separate planning proposal) to incentivise and support the delivery of these specific housing types in Central Sydney for a period of five years, to address the post-pandemic rental housing shortage.

*Updating the contribution requirement on land where a rezoning has resulted in additional development capacity*

The Program sets out an approach at Appendix B for how an additional affordable housing contribution may be applied where land has secured additional development capacity via a rezoning process.

The Program provides a standardised contribution requirement for each precinct (Figure 1), stated as a percentage of new floor area, that will be applied to the new development capacity.

The additional affordable housing contribution requirement will be secured in the process of rezoning the land. The requirement may be set out in:

- an LEP, for example, the land may be identified as "planning proposal land" on Schedule 6C of the Sydney LEP 2012, with the additional contribution requirement being set out in the schedule; or
- a voluntary planning agreement, for example, the landowner may offer to enter into a voluntary planning agreement with the City to build and dedicate affordable housing; or
- some other environmental planning instrument.

Where the proposed development meets the criteria in the Program for where housing must be dedicated, Council will generally require the additional contribution be satisfied by the dedication of built dwellings.

Where the development does not meet the criteria, Council will require the additional contribution be satisfied by making a monetary contribution in accordance with Section 2 of the Program.

It is proposed to adjust the contribution requirement in the Program in the manner set out below.

Proposed change to the Program

This planning proposal does not identify any planning proposal land and does not require an affordable housing contribution on any planning proposal land. Rather, the Program is to be amended to include updated contribution requirements and to set out how the contribution will generally be required to be satisfied. The proposed rates are shown in italics in Table 4, with the current rates struck through for comparison.

**Table 4:** Proposed contribution requirement

| Precinct[1] | Contribution requirement[2] |
|---|---|
| West precinct[2] | ~~12%***~~<br>*20% residential floor space* |
| South precinct[2] | ~~12%***~~<br>*20% residential floor space* |
| East precinct[2] | ~~21%***~~<br>*20% residential floor space* |
| Central precinct[3] | ~~13% subject to site specific viability testing~~<br>*20% residential floor space*<br>*2% non-residential floor space* |

1. Affordable housing contribution precincts are shown at Figure 1 of this planning proposal.
2. In the West, South and East precincts, the contribution applies to new floor area that may be used for a residential

purpose, that is, the contribution requirement will be applied to any additional floor area achieved on land zoned residential purposes, unless the whole of that site is restricted in a planning instrument to a non-residential purpose only.
3. In Central precinct, the contribution requirement will be applied using a proportional approach. That is, where there is a requirement in a planning instrument that restricts a proportion of the floor area to a non-residential purpose, then the non-residential contribution requirement will be applied to that same proportion of any new development capacity, and the residential contribution requirement to the remainder. For example, where if site is required by a planning instrument to provide 50% of the floor area in the building as non-residential development, then the non-residential contribution requirement of 2% would apply to 50% of the new development capacity and residential contribution requirement of 20% would apply to the other 50% of new development capacity.

It is noted the above contribution requirements are inclusive of any other contribution requirement that is applied in an LEP. For example, the 20 per cent rate that applies to all residential floor area includes 17 per cent for new residential floor area on planning proposal land, plus 3 per cent that applies under Clause 7.13 of Sydney LEP 2012. Where no other contribution requirement applies, the full 20 percent may be applied.

Requirement in practice

The contribution requirement is a ‘soft’ requirement, that is, it is not set out in a local environmental plan, rather it is a requirement that is negotiated as part of the rezoning process, allowing for adjustment on a case-by-case basis depending on the context of the proposed rezoning. If, for example, that site is also required to dedicate land for a park, then the contribution requirement might be adjusted down in recognition of the additional costs to the developer

Notwithstanding the above, by expressing the contribution requirement in an adopted Council Program, it provides notice to the market of the City's expectations. This allows developers to adjust what they will pay for land in the full understanding of what affordable housing contribution requirements are payable.

Where a contribution requirement is to be satisfied by an equivalent cash contribution the dollar rates at Table 3 will be applied to the floor area requirement.

A uniform contribution requirement, differentiated by a precinct-based dollar rate to reflect the pricing hierarchy across the City, achieves an equitable outcome across the LGA. That is, regardless of location, a contribution requirement would make the same proportion (%) of affordable housing contributions per additional GFA enabled by the rezoning.

The contribution requirement will be in effect from the date the Program is adopted, noting that the accompanying cash-equivalent dollar rates in Table 3 are to be phased in over four years.

To date, only residential uplift has been identified as planning proposal land and required to make an additional contribution to the delivery of affordable housing. However, non-residential uplift secured via a planning proposal in Central precinct only will now also attract a 2% rezoning contribution requirement.

The Central precinct will be most impacted by changes to the contribution requirement because most planning proposals that rezone a site for more floor area are located in Central Sydney. Rezoning for more floor area is very uncommon outside of Central Sydney, with only a couple of examples over the past 10 years, none of which have significantly increased residential floor area development capacity.

An example of how the proposed changes will impact planning proposals in the Central precinct is provided below.

***Example***

**Today**

A site in Central precinct is currently subject to planning controls that allow 70,000sqm of non-residential floor space.

A rezoning is proposed to allow an additional 40,000sqm of non-residential floor space. No residential development proposed.

Based on current approach, only the LGA wide contribution would be applied to all GFA when the development application is lodged. No rezoning contribution requirement would be applied because the new floor space is for non-residential purposes only.

The current requirement is therefore $13.5M (in today's dollars), calculated as (110,000sqm * 1% * $12,293)

**From full implementation of dollar rates**

The proposed change will apply the LGA wide contribution to the existing floor space and a rezoning contribution of 2% to the new floor space.

The same rezoning will therefore be required to make an affordable housing contribution of $26.3m (in today's dollars).

Justification

The economic analysis, prepared by Atlas Urban Economics, and provided in conjunction with this planning proposal, tested a series of development scenarios, applying assumed development margins and project Internal Rates of Return, to determine the tolerance of development in the different precincts to increased contribution requirements.

The review tested a worst-case scenario, that is where land has been purchased at a price that does not reflect the proposed uplift contribution requirements. It found that in most circumstances development will remain viable under the proposed requirements, provided that the accompanying equivalent dollar rates are phased in over three to four years (as provided in Table 3).

With notice to the market that the City will be seeking increased contributions to affordable housing where there is a planning proposal to create new floor area, developers have the opportunity to pay a price for land that reflects the various fees and charges that are payable, noting adjustment can be made to the contribution rate if justified.

A gradual implementation, achieved by phasing-in the equivalent monetary contribution dollar rates, will ensure that land values (and landowner expectations) adjust gradually. This is important to allow for planning decisions to be made by both government and proponents in a full understanding of what may be required where development uplift is facilitated through a planning proposal process.

It is noted that a contribution rate for planning proposal uplift has not previously been applied to non-residential development. It is now recommended in the Central precinct alone because of the substantial demand for housing for key workers created by increased employment floor space in Central Sydney.

The economic analysis found that in the commercial office sector, structural trends continue to change how users perceive and demand space. In a post-COVID environment, businesses and employees have much higher expectations of their workplaces, generally seeking high-amenity and high-quality spaces. This underpins demand for the development of contemporary space and an opportunity for commercial space in Central Sydney enabled by a planning proposal to contribute to affordable housing.

*Requirement for dedication of built dwellings for affordable housing*

This planning proposal is to amend Clause 7.13B of the Sydney LEP 2012 to allow the consent authority to require the dedication of built dwellings where the requirements of the Program are met.

The Program is to set out the criteria for where the consent authority may require the dedication of built dwellings. Because the provisions in the LEPs are to make direct reference to the criteria in the Program, the consent authority cannot require the dedication of dwellings where the dwellings do not meet the criteria set out in the Program. In that instance, the consent authority must require the contribution be satisfied by monetary contribution.

Proposed change to the Program

The draft Program includes criteria for where an affordable housing contribution will be required by the consent authority to be satisfied by dedicating built dwellings, including where:

- the development is predominantly for a residential purpose;
- the development will (or in the case of a Stage 1 development application, may) result in a contribution requirement for more than 600 square metres of gross floor area that can be provided as eight or more dwellings;
- the development is located in Category A or B area of the Sydney LEP 2012 Land Use and Transport Integration Map (if the development is subject to the Sydney LEP 2012);
- in the opinion of the consent authority, affordable housing dwellings may reasonably be provided where they could avoid participation in a future strata scheme, if the quarterly costs of the scheme would likely be high* and render the management of the property for affordable housing as unsustainable**. This could reasonably be achieved where the dwellings to be dedicated could be provided:
    - in a separate stratum in a building in the development, preferably with its own entry; or
    - in a separate building in the development; and
- in the opinion of the consent authority, the standards for dedicated affordable housing dwellings, provided at Appendix C, can be reasonably satisfied.

* Where the development incorporates amenities that are likely to result in high management costs, for example, a significant number of lifts, pool(s), gym(s), concierge facilities etc.

** Affordable housing may be 'unsustainable' where rents will not meet the costs of strata and other cyclical management costs of the dwelling over a 40 year ownership period.

In determining if it will require the dedication of built dwellings, the consent authority must consult with any Recommended CHPs, identified in any distribution plan adopted by Council as being the recipients of dedicated dwellings.

The consent authority may not require the dedication of built dwellings where any Recommended CHPs, identified in any distribution plan adopted by Council as being the recipients of dedicated dwellings, provides evidence that the proposed dwellings are unsuitable for use as affordable housing.

The City of Sydney Director of Planning, Development and Transport must provide written advice confirming the suitability of dwellings proposed for dedication prior to a condition of consent for dedication being applied to a development consent.

The standards that dedicated dwellings must achieve, set out at Appendix C of the Program, include:

- long-term management requirements;
- strata requirements;
- dwelling mix requirements;
- parking and servicing requirements;
- access requirements; and
- design requirements, including external design, design for reduced living costs and design for

reduced cyclical management costs.

Requirement in practice

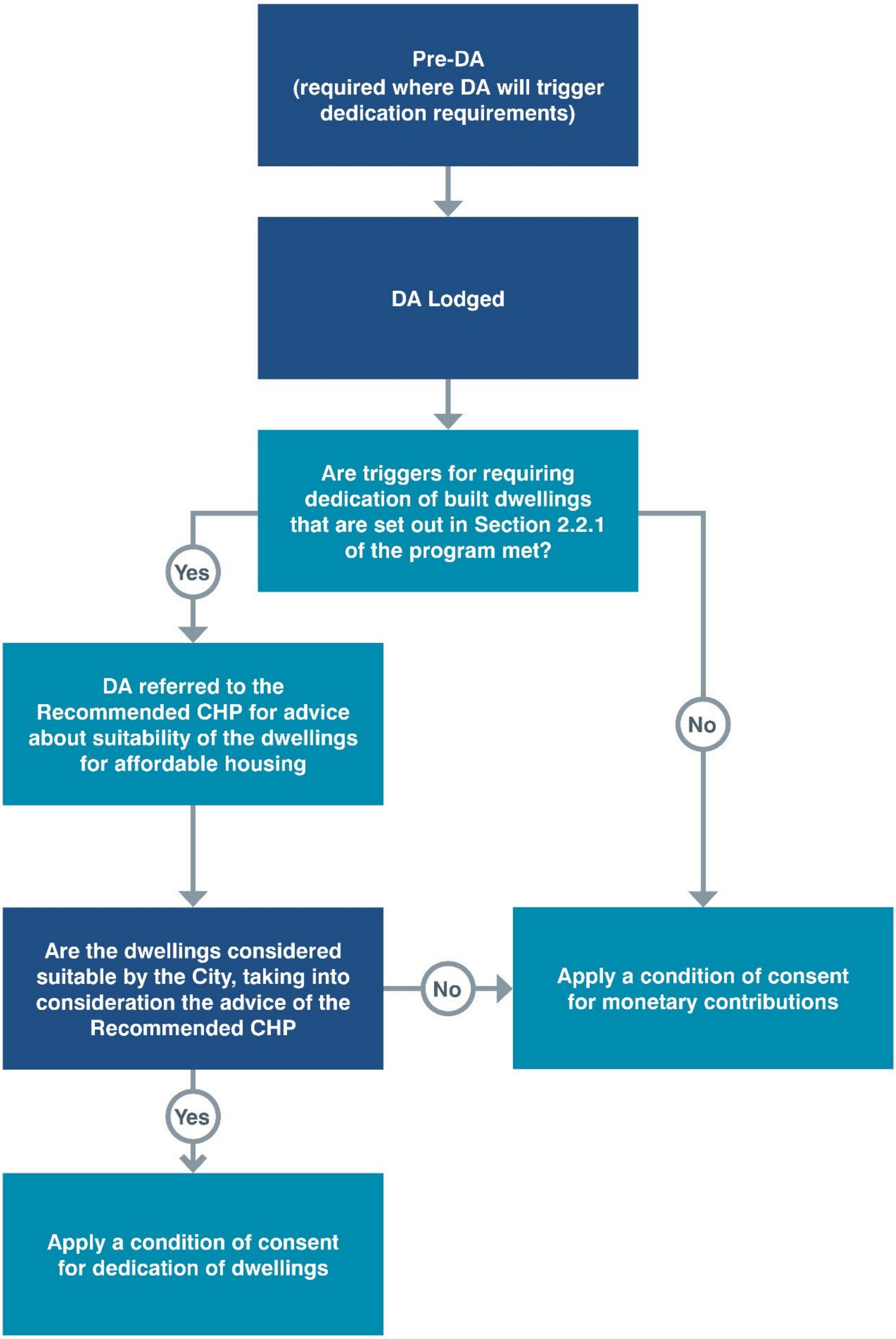
The consent authority's decision about whether a developer / landowner will be required to dedicate dwellings to satisfy an affordable housing contribution requirement will be made in the context of a lodged development application. Ultimately the requirement will be applied as a condition of consent.

Where the development application meets the requirements for dedication of dwellings, the application will be referred to the Recommended CHPs on the City's distribution plan for any comment about the suitability of the proposed dwellings for dedication for affordable housing.

The City's Chief Planner, Executive Director of Planning, Development and Transport will consider the advice of the Recommended CHPs and, where the proposed dwellings are considered suitable, confirm with the proponent they will be required to satisfy their monetary contribution by dedicating dwellings.

A simplified development application process is shown at Figure 2.

**Figure 2:** Development application process



<u>Justification</u>

The above criteria for dwelling dedication in the Program are informed by consultation with the CHPs that are identified on the City of Sydney Affordable Housing Contributions Distribution Plan, adopted by Council on 11 March 2024 (outlined earlier in this planning proposal). These CHPs will ultimately be in receipt of any dedicated dwellings. A summary of advice provided by CHPs is provided in conjunction with this planning proposal.

*Housekeeping amendments*

The draft Program includes various housekeeping amendments to clarify its operation or generally improve the readability of the Program, set out in Table 5.

**Table 5:** Housekeeping amendments to the Program

| Proposed change | Reason / justification |
|---|---|
| Updating Affordable Housing Principles, including information about how the Principles are satisfied in practice | All affordable housing generated as part of the City's affordable housing contribution scheme is governed by the Affordable Housing Principles detailed in the Program.<br><br>Requirements have been consolidated for ease of reference, with further detail provided for each contribution type to improve clarity of understanding. |
| Updating references to 'total floor area' (TFA) to 'gross floor area' (GFA) throughout | The planning proposal looks to move from TFA to GFA as the accepted measure for both calculating an affordable housing contribution and for satisfying a contribution if physical dwellings are to be dedicated.<br><br>To reflect this change, all references to TFA are updated to GFA throughout the Program. |
| Incorporating the exclusion of developments for affordable housing, public housing, community facilities and in the E4 zone from a contribution requirement | The existing definition of TFA at Clause 7.13 of Sydney LEP 2012, which details the floor space to which a contribution requirement is to be calculated, currently excludes from its calculation any floor area related to affordable housing, public housing, community facilities and development in the E4 – General Industrial zone.<br><br>With the deletion of the definition of TFA (and proposed move to GFA as the applicable measure for floor space), these exclusions are now detailed in the Program.<br><br>The meaning of each term has been made more fulsome to ensure clarity in the assessment process, taking an approach generally consistent with the City's Section 7.11 and 7.12 contribution plans. To avoid doubt, any relationship with similar housing types under the Housing SEPP is also clarified. |
| Updating examples in the Program | The Program contains simplified worked examples to demonstrate how a contribution requirement may be applied and satisfied in different |

| Proposed change | Reason / justification |
|---|---|
| | circumstances.<br><br>Examples are inserted / updated where necessary to reflect:<br><br>• The change from TFA to GFA;<br><br>• The updated monetary contribution rates, as they apply over time and across differentiated precincts; and<br><br>• The considerations for satisfying a contribution requirement via the dedication of physical dwellings. |
| Providing clarification on how a contribution requirement is applied in the Central Sydney and residual land levy areas | The contribution levy is applied to 'new' and 'more intensely' used floor area in Central Sydney and residual lands.<br><br>Following requests from the City's development assessment planners, clarification is provided on what these terms are taken to mean for the purposes of the City's affordable housing scheme. |
| Re-wording the considerations for refunding a development contribution payment | An existing facility in the Program to refund a development contribution payment has been re-worded to improve clarity. |
| Clarifying that contributions are to be used in accordance with any distribution plan adopted by council, and removing superfluous information otherwise covered by this arrangement | In March 2024 a distribution plan was adopted by Council which outlined the three CHPs that would receive affordable housing contributions arising from the City's affordable housing scheme over the next five years. It also made provision for the split of cash and in-kind contributions that would be distributed.<br><br>The three CHPs identified in the Distribution Plan have entered into funding agreements in order to receive contributions from the City.<br><br>The Program now makes clear that all contributions are to be used in accordance with the Distribution Plan, including any dedicated dwellings.<br><br>Any information that is captured by the funding agreements signed by the three CHPs is superfluous to the Program and is removed. |
| Simplifying the requirements for affordable housing that is provided on employment land | These requirements are generally covered by the Affordable Housing Principles included elsewhere in the Program. |
| A general re-ordering and streamlining of content, especially for clarity around the two different routes for satisfying a contribution requirement in the City | The planning proposal seeks to enable the consent authority to require the dedication of affordable rental dwellings where a site benefits from upzoning, with a monetary contribution being required in all other circumstances. |

| Proposed change | Reason / justification |
| --- | --- |
| | Previously there has been a choice.<br><br>The amended Program re-focuses existing content to make this differentiation in approach clear.<br><br>Some other minor restructuring has also enabled ease of reading and understanding.<br><br>Section numbers and headings are updated as appropriate. |
| Improving the clarity of content in Appendix B – Contributions where land is rezoned | Explanatory detail around the mechanisms which secure a contribution requirement where land is upzoned is incorporated in Appendix B. A cross reference to the criteria which guide a requirement to dedicate built dwellings and worked examples are also provided. |
| Removing the existing Appendix C – Process for dedicating dwellings | Appendix C currently sets out the process for the dedication of dwellings. Going forward, the process will instead be published on the City's website. |
| Providing a new Appendix C – Standards for dedicated affordable housing dwellings | A new Appendix C is provided to establish the standards for dedicated affordable housing dwellings.<br><br>The standards include:<br><br>• long-term management requirements;<br>• dwelling mix requirements;<br>• parking and servicing requirements;<br>• access requirements; and<br>• design requirements, including external design, design for reduced living costs and design for reduced cyclical management costs. |
| Providing an Appendix D – Development application process flowchart | A new Appendix is included to provide an overview of the decision-making process which will establish the requirement to dedication affordable rental dwellings. |

## 5.3. Matters for consideration

This section provides a response to the 'matters for consideration' described in Table 3 of the Local Environmental Plan Making Guideline, published by the Department in August 2023, that are to be taken into account when describing, evaluating and justifying a planning proposal.

**Section A - Need for the planning proposal**

*Q1. Is the planning proposal a result of an endorsed LSPS, strategic study or report?*

This planning proposal is informed by Sustainable Sydney 2050: Continuing the Vision, and the City of Sydney Local Strategic Planning Statement: City Plan 2036 and Local Housing Strategy: Housing for All, that set out targets for affordable housing.

*Q2. Is the planning proposal the best means of achieving the objectives or intended outcomes, or is there a better way?*

A planning proposal is the only way to amend the affordable housing provisions in the Sydney LEP 2012 and the Green Square Town Centre LEPs.

**Section B - Relationship to the strategic planning framework**

*Q3. Will the planning proposal give effect to the objectives and actions of the applicable regional or district plan or strategy (including any exhibited draft plans or strategies)?*

<u>A Metropolis of Three Cities – the Greater Sydney Region Plan</u>

A Metropolis of Three Cities – the Greater Sydney Region Plan is the NSW Government's overarching strategic document for growth and change in Sydney. The 20 year plan with a 40 year vision seeks to transform Sydney into a metropolis of three cities being the Western Parkland City, the Central River City and the Eastern Harbour City. The City of Sydney LGA is positioned within the Eastern Harbour City.

The plan identifies key challenges facing Sydney including a population increase to eight million by 2056, 817,000 new jobs by 2036 and a requirement for 725,000 new homes.

The plan aspires to deliver the following outcomes:

- liveability – enhancing cultural and housing diversity and designing places for people;
- productivity – developing a more accessible and walkable city and creating conditions for a stronger economy;
- sustainability – valuing green spaces and landscape, improving efficiency of resources and creating a resilient City; and
- infrastructure – ensuring infrastructure supports new developments and governments, community and businesses collaborate to realise the benefits of growth.

To achieve the vision, the plan proposes 10 directions, 40 objectives and associated strategies. Objectives of particular relevance to this Planning Proposal include: 10 - Greater housing supply and 11 - Housing is more diverse and affordable.

This planning proposal is consistent with several relevant directions, objectives and strategies of the plan. Specifically, it will increase the supply of affordable housing and improve housing diversity and choice.

<u>Eastern City District Plan</u>

The Greater Sydney Commission released the District Plans for the Greater Sydney Metropolitan Region in March 2018. The City of Sydney is in the Eastern City District. The District Plans set out how A Metropolis of Three Cities – the Greater Sydney Region Plan applies to local areas.

The district plan has set a 20-year strategic target for housing and employment growth within the district, including a 2036 target of 157,500 dwellings and a short-term (5 years) housing target of 46,550 new dwellings. In the City of Sydney LGA, 18,300 dwellings are to be delivered.

The district plan requires councils to develop local housing strategies and actions to address the range of housing needs in their LGAs, including affordable housing.

The district plan nominates an affordable rental housing target of five to 10 per cent, subject to viability, in urban renewal and land release areas, noting that the application of the target should not prejudice other approaches to secure affordable housing in areas outside of urban renewal and land release areas. A critical focus of the plan is that any mechanism that is introduced to secure affordable housing should be cognisant of the impact on development viability.

This planning proposal supports the district plan's priority of 'Housing Diversity and Affordability' by facilitating the delivery of affordable rental housing in the city through the planning framework.

*Q4. Is the planning proposal consistent with a council LSPS that has been endorsed by the Planning Secretary or GSC, or another endorsed local strategy or strategic plan?*

Sustainable Sydney 2050

In April 2022 Council adopted for exhibition the draft Sustainable Sydney 2030-2050. This continues the vision of Sustainable Sydney 2030.

Sustainable Sydney 2030 is a vision for the sustainable development of the City to 2030 and beyond. It includes 10 strategic directions to guide the future of the City, as well as 10 targets against which to measure progress.

Sustainable Sydney 2030 establishes an ambitious target that in 2030, 7.5 per cent of housing will be social housing and 7.5 per cent of housing will be affordable housing. To achieve the City's target approximately 12,000 affordable housing dwellings, out of a total projected 148,000 dwellings, are required in the LGA.

The planning proposal aligns with the following strategic directions and objectives:

- Direction 6 - Resilient and inclusive local communities - the planning proposal and proposed amendment to the Program, will continue to support the provision of affordable housing in the local area, which is essential for a resilient and inclusive local community.
- Direction 8 - Housing for a Diverse Population - the planning proposal and proposed amendment to the Program will promote the delivery of affordable housing in the City of Sydney.

City Plan 2036 - Local Strategic Planning Statement

The City of Sydney Local Strategic Planning Statement (planning statement), adopted by Council in February 2020, sets out the land use planning context, 20-year vision and planning priorities to positively guide change towards the City's vision for a green, global and connected city. The planning statement explains how the planning system will manage that change to achieve the desired outcomes and guides future changes to controls.

In giving effect to the planning statement, this planning proposal and the draft Program delivers on the following priorities and actions by:

- contributing to housing supply, choice and affordability in the City of Sydney;
- providing housing that is close to employment and services, contributing to the aspiration for a '30-minute city'; and
- enabling vibrant and diverse communities and economies.

Housing for All – City of Sydney Local Housing Strategy

The City of Sydney Local Housing Strategy: Housing for All provides the City's objectives and actions for the delivery of diverse housing in the local government area.

In giving effect to Housing for All, this planning proposal and the draft Program delivers on the following priorities and actions by:

- contributing to the City's housing targets, in particular the delivery of affordable housing; and
- increasing diversity and choice in housing in the City of Sydney, providing more affordable housing for people on very low to moderate incomes.

*Q5. Is the planning proposal consistent with any other applicable State and regional studies or strategies?*

No other state and regional studies or strategies are applicable.

*Q6. Is the planning proposal consistent with the applicable State Environmental Planning Policies?*

This planning proposal is consistent with all applicable State Environmental Planning Policies (SEPPs) and Regional Environmental Plans (REPs), as summarised at Table 6.

**Table 6:** Consistency with State Environmental Planning Policies (SEPPs)

| State Environmental Planning Policy | Comment |
|---|---|
| SEPP (Biodiversity and Conservation) 2021 | Consistent |
| SEPP (Exempt and Complying Development Codes) 2008 | Consistent |
| SEPP (Housing) 2021 | Consistent. This planning proposal does not hinder the application of the SEPP and is consistent with the requirements set out for affordable housing provided under Section 7.32 of the Act. |
| SEPP (Industry and Employment) 2021 | Consistent |
| SEPP (Planning Systems) 2021 | Consistent |
| SEPP (Precincts–Central River City) 2021 | Not applicable |
| SEPP (Precincts–Eastern Harbour City) 2021 | Consistent. This planning proposal does not impact on Redfern Waterloo Authority sites that remain excluded from the Sydney LEP 2012. |
| SEPP (Precincts–Regional) 2021 | Not applicable |
| SEPP (Precincts–Western Parkland City) 2021 | Not applicable |
| SEPP (Primary Production) 2021 | Not applicable |
| SEPP (Resilience and Hazards) 2021 | Consistent |
| SEPP (Resources and Energy) 2021 | Consistent |
| SEPP (Sustainable Buildings) 2022 | Consistent |
| SEPP (Transport and Infrastructure) 2021 | Consistent |

*Q7. Is the planning proposal consistent with applicable Ministerial Directions (section 9.1 Direction) or key government priority?*

This planning proposal is consistent with all applicable Ministerial Directions issued under section 9.1 of the Environmental Planning and Assessment Act 1979, as summarised in Table 7.

**Table 7:** Consistency with Ministerial Directions

| Ministerial Direction | Comment |
|---|---|
| **Focus area 1: Planning Systems** | |
| 1.1 Implementation of Regional Plans | Consistent |
| 1.2 Development of Aboriginal Land Council land | Not applicable |
| 1.3 Approval and Referral Requirements | Consistent. No amendment includes concurrence, consultation or referral provisions or identifies any designated development. |
| 1.4 Site Specific Provisions | Consistent. This planning proposal does not include any site-specific provisions. |
| 1.4A Exclusion of Development Standards from Variation | Consistent. This planning proposal does not propose to exclude a development standard from variation under clause 4.6. |
| **Focus area 1: Planning Systems – Place-based** | |
| 1.5 Parramatta Road Corridor Urban Transformation Strategy | Not applicable |
| 1.6 Implementation of North West Priority Growth Area Land Use and Infrastructure Implementation Plan | Not applicable |
| 1.7 Implementation of Greater Parramatta Priority Growth Area Interim Land Use and Infrastructure Implementation Plan | Not applicable |
| 1.8 Implementation of Wilton Priority Growth Area Interim Land Use and Infrastructure Implementation Plan | Not applicable |
| 1.9 Implementation of Glenfield to Macarthur Urban Renewal Corridor | Not applicable |
| 1.10 Implementation of the Western Sydney Aerotropolis Plan | Not applicable |
| 1.11 Implementation of Bayside West Precincts 2036 Plan | Not applicable |
| 1.12 Implementation of Planning Principles for the Cooks Cove Precinct | Not applicable |

| Ministerial Direction | Comment |
|---|---|
| 1.13 Implementation of St Leonards and Crows Nest 2036 Plan | Not applicable |
| 1.14 Implementation of Greater Macarthur 2040 | Not applicable |
| 1.15 Implementation of the Pyrmont Peninsula Place Strategy | Consistent. This Planning proposal does not hinder the application of the Pyrmont Peninsula Place Strategy. |
| 1.16 North West Rail Link Corridor Strategy | Not applicable |
| 1.17 Implementation of the Bays West Place Strategy | Not applicable |
| 1.18 Implementation of the Macquarie Park Innovation Precinct | Not applicable |
| 1.19 Implementation of the Westmead Place Strategy | Not applicable |
| 1.20 Implementation of the Camelia-Rosehill Place Strategy | Not applicable |
| 1.21 Implementation of the South West Growth Structure Plan | Not applicable |
| 1.22 Implementation of the Cherrybrook Station Place Strategy | Not applicable |
| **Focus area 2: Design and Place** | |
| No directions in place. | |
| **Focus area 3: Biodiversity and Conservation** | |
| 3.1 Conservation Zones | Consistent. The planning proposal will not adversely impact the conservation of environmentally sensitive areas. |
| 3.2 Heritage Conservation | Consistent. The planning proposal will not adversely impact the ongoing conservation of heritage items. |

| Ministerial Direction | Comment |
|---|---|
| 3.3 Sydney Drinking Water Catchments | Not applicable |
| 3.4 Application of C2 and C3 Zones and Environmental Overlays in Far North Coast LEPs | Not applicable |
| 3.5 Recreation Vehicle Areas | Not applicable |
| 3.6 Strategic Conservation Planning | Not applicable |
| 3.7 Public Bushland | Consistent. The planning proposal does not adversely impact the protection of bushland in urban areas. |
| 3.8 Willandra Lakes Region | Not applicable |
| 3.9 Sydney Harbour Foreshores and Waterways Area | Not applicable |
| 3.10 Water Catchment Protection | Not applicable |
| **Focus area 4: Resilience and Hazards** | |
| 4.1 Flooding | Consistent |
| 4.2 Coastal Management | Consistent. The planning proposal is consistent with the objects of the Coastal Management Act 2016 to support the cultural and economic well-being of the area, through the provision of affordable housing which will support social cohesion and provide accommodation for key workers who are essential to the efficient functioning of the economy in the LGA.<br><br>The planning proposal will have no impact on the coastal environment - it supports a levy scheme on development already permitted under the City of Sydney's planning controls and does not introduce or intensify development in itself. |
| 4.3 Planning for Bushfire Protection | Not applicable |
| 4.4 Remediation of Contaminated Land | Consistent. The planning proposal will not adversely impact the remediation of contaminated land. It supports a levy scheme on development already permitted under the City of Sydney's planning controls and does not introduce or |

| Ministerial Direction | Comment |
|---|---|
| | intensify development in itself. |
| 4.5 Acid Sulfate Soils | Consistent. Whilst some areas of the LGA are impacted by acid sulfate soils the planning proposal supports a levy scheme on development already permitted under the City of Sydney's planning controls and does not introduce or intensify development in itself. |
| 4.6 Mine Subsidence and Unstable Land | Not applicable |
| **Focus area 5: Transport and Infrastructure** | |
| 5.1 Integrating Land Use and Transport | Consistent. The planning proposal supports a levy scheme on development already permitted under the City of Sydney's planning controls and does not propose new or more intense development in itself.<br><br>It will support the delivery of affordable housing across the City of Sydney that is well served by public infrastructure and services. |
| 5.2 Reserving Land for Public Purposes | Consistent. The planning proposal does not relate to the reservation of land for public purposes. |
| 5.3 Development Near Regulated Airports and Defence Airfields | Not applicable |
| 5.4 Shooting Ranges | Not applicable |
| **Focus area 6: Housing** | |
| 6.1 Residential Zones | Consistent. This planning proposal will:<br><br>• broaden the choice of housing by facilitating more affordable housing; and<br><br>• increase the amount of affordable housing in the City of Sydney, that is well serviced by public infrastructure and services. |
| 6.2 Caravan Parks and Manufactured Home Estates | Consistent. The planning proposal does not relate to development for caravan parks or manufactured home estates. |
| **Focus area 7: Industry and Employment** | |

| Ministerial Direction | Comment |
|---|---|
| 7.1 Employment Zones | Consistent. The planning proposal does not propose any changes of zoning. |
| 7.2 Reduction in non-hosted short-term rental accommodation period | Not applicable |
| 7.3 Commercial and Retail Development along the Pacific Highway, North Coast | Not applicable |
| **Focus area 8: Resources and Energy** | |
| 8.1 Mining, Petroleum Production and Extractive Industries | Not applicable |
| **Focus area 9: Primary Production** | |
| 9.1 Rural Zones | Not applicable |
| 9.2 Rural Lands | Not applicable |
| 9.3 Oyster Aquaculture | Not applicable |
| 9.4 Farmland of State and Regional Significance on the NSW Far North Coast | Not applicable |

**Section C - Environmental, social and economic impact**

*Q8. Is there any likelihood that critical habitat or threatened species, populations or ecological communities, or their habitats, will be adversely affected because of the proposal?*

No.

*Q9. Are there any other likely environmental effects of the planning proposal and how are they proposed to be managed?*

No.

*Q9. Has the planning proposal adequately addressed any social and economic effects?*

An important outcome of this planning proposal is to increase the amount of affordable housing in the local area. The social benefits of providing affordable housing are well documented, and generally understood by government and the community to be overwhelmingly positive.

The economic impacts of this planning proposal have been discussed in Part 5.

**Section D - Infrastructure (Local, State and Commonwealth)**

*Q11. Is there adequate public infrastructure for the planning proposal?*

This planning proposal does not propose an increase in density and is not expected to result in any additional burden on existing public infrastructure.

**Section E - State and Commonwealth interests**

*Q12. What are the views of state and federal public authorities and government agencies consulted in order to inform the Gateway determination?*

No consultation has been undertaken with federal public authorities and government agencies prior to preparing this planning proposal.

# 6. Mapping

There are no proposed changes to maps in the Sydney LEP 2012 or the Green Square Town Centre LEPs.

# 7. Community consultation

This planning proposal is to be exhibited in accordance with the gateway determination once issued by the Department of Planning, Housing and Infrastructure.

It is anticipated the gateway determination will require public exhibition for a period of not less than 28 days.

The public consultation will be undertaken in accordance with the City's Community Participation Plan and the principles in the City's Community Engagement Strategy.

Notification of the public exhibition will be via the City of Sydney website.

Exhibition material will be made available on the City of Sydney website and at Town Hall House at 456 Kent Street, Sydney.

Consultation with relevant NSW agencies, authorities and other relevant organisations will be undertaken in accordance with the gateway determination.

# 8. Project timeline

The anticipated timeline for completion of this planning proposal is as shown in Table 8.

**Table 8:** Anticipated timeline

| Stage | Timeframe |
|---|---|
| Council / CSPC decision | December 2024 |
| Gateway determination | March 2025 |
| Pre-exhibition | April 2025 |
| Commencement and completion of public exhibition period | May 2025 – June 2025 |
| Consideration of submissions | July 2025 - August 2025 |
| Post-exhibition review (consideration by Council and CSPC) | September 2025 |
| Submission to the Department for finalisation (where applicable) | October 2025 |
| Gazettal of LEP amendment | November 2025 |

# Appendix - Drafting Instruction

| Proposed | Comment |
|---|---|
| **Sydney Local Environmental Plan 2012 –<br>1.8A Savings provisions relating to development applications** | |
| (9) The amendments made to clause 6.60B, 6.70, 7.13, 7.13A, 7.13B by Sydney Local Environmental Plan Amendment (XXXX) 20XX do not apply to a development applications that are made but not finally determined before the commencement of the amendments. | This amendment is to ensure the amended planning controls are only to apply to development applications that are lodged after the amended planning controls come into effect. |
| **Sydney Local Environmental Plan 2012 –<br>6.60B Botany Road Precinct Opportunity Land** | |
| … | |
| (7) Subclauses (3) and (4) do not apply to development involving the provision of affordable housing unless the consent authority is satisfied—<br>(a) the affordable housing will be owned and managed by a registered community housing provider, and<br>(b) the affordable housing will be provided in accordance with the Affordable Housing Principles of the City of Sydney Affordable Housing Program, adopted by the Council on ~~26 June 2023~~ XX XX 202X, and<br>(c) the development will not reduce the capacity of adjoining sites used or intended to be used for non-residential purposes, and<br>(d) the development is compatible with the existing and approved uses of land near the development, having regard to the following—<br>(i) the impact the development, including its bulk, scale and traffic generation, is likely to have on the existing and approved uses,<br>(ii) the services and infrastructure that are or will be available to meet the demands resulting from the development,<br>(iii) the impact the uses are likely to have on the health, well-being and amenity of residents of buildings resulting from the development, and<br>(e) the following part of the building will be used only for non-residential purposes—<br>(i) for a building on Lot 11, DP 219505 and Lot 2, DP 136012, 74–88 Botany Road, Alexandria—the ground floor,<br>(ii) for a building on other land—the ground floor and the first floor. | This amendment is to:<br>• clarify affordable housing provided pursuant to this clause need only be provided in accordance with the affordable housing principles in the City of Sydney Affordable Housing Program, and not any other requirement of the Program; and<br>• update the adoption date of *City of Sydney Affordable Housing Program* so it refers to the new Program. |

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| … | |
| **Sydney Local Environmental Plan 2012 – 6.70 Division 7 – Blackwattle Bay Precinct – Affordable Housing** | |
| (1) This clause applies to the erection of a new building with a gross floor area of more than 200m2 on the following land at Pyrmont in the Blackwattle Bay Precinct—<br>(a) Lots 7–11, DP 803160, 21–29 Bank Street,<br>(b) Lots 20–22, DP 811844, 31–35 Bank Street,<br>(c) Lots 24 and 25, DP 815847, 37–39 Bank Street,<br>(d) Lot 100, DP 836204, 41–45 Bank Street,<br>(e) Lot 2, DP 827434, Lot 1, DP 836351, Lot 1, 734622, Lot 1, DP 74155, Lots 1 and 2, DP 125720 and Lot 17, DP 1027254, 56–60 Pyrmont Bridge Road. | Retain as existing. |
| (2) Subclause (1) applies—<br>(a) whether the floor area was in existence before, or is created after, the commencement of this clause, and<br>(b) whether or not the floor area replaces an existing area. | Retain as existing. |
| (3) The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring an affordable housing levy contribution equivalent to 7.5% of the ~~total~~ gross floor area of the building. | The definition of *total floor area* (TFA) is deleted, noting future contributions are to be calculated on Gross Floor Area. |
| (4) A condition imposed under this clause must permit a person to satisfy the contribution by way of one or both of the following—<br>(a) a dedication, in favour of the Council, of land comprising 1 or more dwellings, each having a gross floor area of at least 35m2 ~~but no more than 90m2~~,<br>(b) a monetary contribution paid to the Council. | This amendment removes the upper size limit on dwellings to allow for more diverse affordable housing outcomes. |
| (5) A monetary contribution must be calculated in accordance with the *City of Sydney Affordable Housing Program* adopted by the Council on ~~26 June 2023~~ XX XX 202X. | This amendment is to update the reference to the City of Sydney Affordable Housing Program to reflect the newly amended Program. |
| (6) The demolition of a building, or a change in the use of land, does not give rise to a claim for a refund of a contribution. | Retain as existing. |

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|---|---|
| (7) Clause 7.13 does not apply to development to which this clause applies. | Retain as existing. |
| **Sydney Local Environmental Plan 2012 – 7.13 Contribution for purpose of affordable housing** | |
| (1) This clause applies to the following development—<br>(a) development on land at Green Square or Ultimo-Pyrmont, or on southern employment land or residual land that involves—<br>(i) the erection of a new building the gross floor area of which is more than 200 square metres, or<br>(ii) alterations to an existing building that will result in the creation of more than 200 square metres of gross floor area that is intended to be used for the purpose of residential accommodation, or<br>(iii) alterations to an existing building that will result in the creation of more than 60 square metres of gross floor area that is intended to be used for a purpose other than residential accommodation, or<br>(iv) the demolition of existing floor area and the subsequent creation, whether for the same or a different purpose, of more than 200 square metres of gross floor area,<br>(b) development on land at Green Square or Ultimo-Pyrmont, or on southern employment land, that involves a change of use of more than 60 square metres of existing floor area of a building,<br>(c) development on residual land that involves a change of use of existing floor area from other than residential accommodation to residential accommodation or tourist and visitor accommodation,<br>(d) development on land at Central Sydney that involves—<br>(i) the creation of more than 100 square metres of gross floor area, or<br>(ii) the demolition of existing floor area and the subsequent creation, whether for the same or a different purpose, of more than 100 square metres of gross floor area, or<br>(iii) a change of use of existing floor area from other than residential accommodation to residential accommodation or tourist and visitor accommodation. | Retain as existing. |

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|---|---|
| (2) The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring a contribution not exceeding the applicable ***affordable housing levy contribution,*** for the development provided for in subclause (2A) or (2C). | This amendment facilitates the change from total floor area to gross floor area as the basis for floor area calculations, to provide consistency with all other floor area measures in the City and across the City's affordable housing provisions. |
| (2A) The ***affordable housing levy contribution for development*** on land at Green Square or Ultimo-Pyrmont or on southern employment land is—<br>(a) 3% of the ~~total~~ gross floor area of the development that is intended to be used for residential purposes, and<br>(b) 1% of the ~~total~~ gross floor area of the development that is not intended to be used for residential purposes. | This amendment facilitates a change from total floor area to gross floor area as the basis for floor area calculations, to provide consistency with all other floor area measures in the City and across the City's affordable housing provisions. |
| (2B) (Repealed) | |
| (2C) The ***affordable housing levy contribution*** for development on land at Central Sydney or on residual land is as follows—<br>(a) for development applications lodged before 1 July 2022—<br>(i) 1.5% of the ~~total~~ gross floor area of the development that is intended to be used for residential purposes, and<br>(ii) 0.5% of the ~~total~~ gross floor area of the development that is not intended to be used for residential purposes,<br>(b) for development applications lodged on or after 1 July 2022—<br>(i) 3% of the ~~total~~ gross floor area of the development that is intended to be used for residential purposes, and<br>(ii) 1% of the ~~total~~ gross floor area of the development that is not intended to be used for residential purposes. | This amendment facilitates the change from total floor area to gross floor area as the basis for floor area calculations, to provide consistency with all other floor area measures in the City and across the City's affordable housing provisions. |
| (3) A condition imposed under this clause must only require the payment ~~permit a person to satisfy the *affordable housing levy contribution* --~~<br>~~(a) by way of a dedication in favour of the Council of land comprising one or more dwelling/s (each having a total floor area of not less than 35 square metres, and not more than 90 square metres) with any remainder being paid as a monetary contribution to the Council;~~<br>~~(b) if the person so chooses, by way~~ of a monetary contribution to the Council. | This amendment seeks to remove the current ability for a developer to choose to satisfy and affordable housing contribution by dedicating built dwellings OR making monetary contribution, and instead require a monetary contribution only. |

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| (4) The rate at which a monetary contribution is to be taken to be equivalent to floor area for the purposes of this clause is to be calculated in accordance with the ***City of Sydney Affordable Housing Program*** adopted by the Council on ~~26 June 2023~~ XX XX 202X. | This amendment is to update the adoption date of *City of Sydney Affordable Housing Program* so it refers to the new Program. |
| (4A) (Repealed) | |
| (5) To avoid doubt—<br>(a) it does not matter whether the floor area, to which a condition under this clause relates, was in existence before, or is created after, the commencement of this clause, or whether or not the floor area concerned replaces a previously existing area, and<br>(b) the demolition of a building, or a change in the use of land, does not give rise to a claim for a refund of any contribution. | Retain as existing. |
| (6) In this clause—<br>***residual land*** means the land identified as "Residual Land" on the *Locality and Site Identification Map*.<br>~~***total floor area*** means the total of the areas of each floor of a building within the outer face of the external enclosing walls and including balconies, but excluding the following—~~<br>~~(a) columns, fins, sun control devices, awnings and other elements, projections or works outside the general lines of the outer face of the external walls,~~<br>~~(b) that part of a balcony that exceeds the minimum area required by the consent authority in respect of the balcony,~~<br>~~(c) ancillary car parking permitted by the consent authority and associated internal vehicular and pedestrian access to that car parking,~~<br>~~(d) space for the loading and unloading of goods,~~<br>~~(e) the floor area of a building, including balconies, that is—~~<br>~~(i) on land in Zone E4 General Industrial, or~~<br>~~(ii) used to provide affordable housing or public housing, or~~<br>~~(iii) used for the purpose of community facilities.~~ | The definition of *total floor area* (TFA) is deleted, noting future contributions are to be calculated on Gross Floor Area.<br>The current exclusions from TFA of development on land in Zone E4 or floor area used to provide affordable house, public housing or community facilities are instead to be incorporated in the City's Program. |

| | |
|---|---|
| (1) Despite any other provision of this Plan, development for the purposes of a residential flat building or a mixed use development that contains shop top housing may be carried out with development consent on land identified as "Business Area" on the *Locality and Site Identification Map* if the consent authority is satisfied that—<br><br>(a) the residential flat building or shop top housing to which the development application relates will be used for the purposes of affordable housing, and<br><br>(b) the affordable housing will be provided by or on behalf of a public authority or social housing provider, and<br><br>(c) the affordable housing will be provided in accordance with the Affordable Housing Principles of the City of Sydney Affordable Housing Program adopted by the Council on ~~26 June 2023~~ XX XX 202X, and<br><br>(d) the development is compatible with the existing uses and approved uses of land in the vicinity of the development having regard to the following matters—<br><br>(i) the impact that the development (including its bulk, scale and traffic generation) is likely to have on the existing uses and approved uses of that land, and<br><br>(ii) the services and infrastructure that are or will be available to meet the demands arising from the development, and<br><br>(iii) the impact that those uses are likely to have on the health, wellbeing and amenity of residents of the development by reason of noise, dust, lighting, truck movements, operating hours or otherwise, and<br><br>(e) no part of the ground floor of the residential flat building or mixed use development that fronts a street will be used for residential purposes, and<br><br>(f) the development is not likely to have an adverse effect on the environment and does not cause any unacceptable environmental risks to the land concerned. | This amendment is to:<br><br>• clarify affordable housing provided pursuant to this clause need only be provided in accordance with the affordable housing principles in the City of Sydney Affordable Housing Program, and not any other requirement of the Program;<br><br>• update the adoption date of *City of Sydney Affordable Housing Program* so it refers to the new Program. |
| (2) In this clause—<br><br>***street*** includes an area of land that is identified in a development control plan made by the Council as land that is proposed to be used for the purposes of a street. | Retain as existing. |

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|---|---|
| **Note—**<br>Development for the purpose of shop top housing may be carried out with development consent on certain land identified as "Business Area" on the *Locality and Site Identification Map*, without the shop top housing being used for the purpose of affordable housing, because of clause 1AA of Schedule 1. | Retain as existing. |
| **Sydney Local Environmental Plan 2012 –<br>7.13B Additional affordable housing contribution for certain development on Planning Proposal Land** | |
| (1) This clause applies to development on Planning Proposal Land involving one or more of the following—<br>(a) the erection of a new building with a gross floor area of more than 200m2,<br>(b) alterations to an existing building resulting in the creation of more than 200m2 of gross floor area intended to be used for residential accommodation,<br>(c) alterations to an existing building resulting in the creation of more than 60m2 of gross floor area intended to be used for a purpose other than residential accommodation,<br>(d) a change of use of an existing building to residential accommodation. | Retain as existing. |
| (2) Subclause (1) applies—<br>(a) whether the floor area was in existence before, or is created after, the commencement of this clause, and<br>(b) whether or not the floor area replaces an existing area. | Retain as existing. |
| (3) The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring an ***affordable housing levy contribution*** equivalent to the contribution specified for the land in Schedule 6C (the ***contribution***). | Note earlier commentary on need for definition of *affordable housing levy contribution.* |
| (4) A condition imposed under this clause must permit a person to satisfy the contribution ~~by way of one or both of the following~~—<br>(a) if required by the Consent Authority, by way of a dedication, in favour of the Council, of land comprising dwelling/s, each having a gross floor area of at least 35~~m$^2$~~ square metres ~~but no more than 90m$^2$~~ in accordance with the ***City of Sydney Affordable Housing Program***, with any remainder being paid as a monetary contribution to the Council; or | This amendment seeks to give the Consent Authority the discretion to <u>require</u> the satisfaction of a contribution requirement by dedication of built floor area (with any residual being paid as a monetary contribution) OR <u>require</u> the satisfaction of a contribution requirement by a monetary contribution.<br>The structure and general wording is based on Cl. 6.11(4) of Warringah LEP 2011.<br>The drafting needs to reflect that affordable housing dwellings must be dedicated where key criteria detailed in the Program are |

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|---|---|
| (b) if required by the Consent Authority, by way of a monetary contribution paid to the Council. | triggered/satisfied.<br><br>The planning power to require a dedication of units is not unfettered. Dedication will only be required in the circumstances outlined in the Program.<br><br>Alternatively, the Consent Authority may require a monetary contribution.<br><br>If there is a risk that *affordable housing levy contribution* can be interpreted to mean a monetary contribution only (and not dwellings), under the 7.32 of the EP&A Act 1979, then a definition of *affordable housing levy contribution* could be included at (8) to ensure consistency of understanding.<br><br>This amendment also removes the upper size limit on dwellings to allow for more diverse affordable housing outcomes. |
| (5) A monetary contribution must be calculated in accordance with the ***City of Sydney Affordable Housing Program*** ~~adopted by the Council on 26 June 2023~~. | Removal of date of *City of Sydney Affordable Housing Program*, noting a definition is to be included in 7.13B(8). |
| (6) The demolition of a building, or a change in the use of land, does not give rise to a claim for a refund of a contribution. | Retain as existing. |
| (7) ~~A word or expression used in Schedule 6C has the same meaning as in clause 7.13.~~ Repealed | This sub-clause may be repealed. There are no longer any shared definitions between clause 7.13 and clause 7.13B. |
| (8) ***City of Sydney Affordable Housing Program*** means the City of Sydney Affordable Housing Program adopted by the Council on XX XX 202X.<br><br>***affordable housing levy contribution*** means the dedication of land comprising dwelling/s in accordance with the City of Sydney Affordable Housing Program or a monetary contribution to council or both. | The addition of a definition for *City of Sydney Affordable Housing Program* is now necessary given that the document is to be quoted in several clauses to save repeating the date it is adopted each time and ease reading of those clauses.<br><br>The addition of a definition for “affordable housing levy contribution” is suggested because Cl. 7.32 (2) of the EP&A Act 1979 allows for both the dedication of land or a contribution of cash towards affordable housing to be conditioned as part of a consent. However, Cl. 7.32, which is entitled ‘Conditions requiring land **or** contributions for affordable housing’ [emphasis added] treats the dedication of land separately to the term “contributions”, which, in (2)(b) are aligned with money only. Dedication of land is treated separately in (2)(a), which does not use the term “contribution”.<br><br>In order to facilitate the objectives of this Planning Proposal, we need the LEP to authorise the dedication of land (for dwellings) as well as a monetary contribution, pursuant to the EP&A Act 1979.<br><br>Whilst this has never been the intention of the LEP as currently drafted, there may be a risk |

that in continuing to utilise the phrase *affordable housing levy contribution* in 7.13(2) (and elsewhere) in Sydney LEP 2012, there is an implication that this means a monetary contribution only.

To ensure a consistency of understanding for all uses of this term throughout the LEP, this term needs further consideration. A definition for *affordable housing levy contribution* could be included, so that it is taken to mean both monetary contributions and the dedication of land (as dwellings).

A definition at 7.13B(8) would avoid the need to re-frame 7.13B(3) and 7.13B(4).

**Sydney Local Environmental Plan 2012 –**
**Schedule 6C - Contribution requirement for certain development on Planning Proposal Land**

| Planning Proposal Land | Contribution requirement |
|---|---|
| Land identified as “Area 1” on the *Affordable Housing Map* | The total amount of—<br>(a) the contribution applying to the development under clause 7.13, and)<br>(b) if the part of a building intended to be used for a purpose other than residential accommodation has a floor space ratio of less than 1.5:1—9% of the gross floor area equivalent to the amount by which the floor space ratio of the building exceeds 1.5:1 |
| Lot 15, DP 10721, 111 Cooper Street, Waterloo | The total amount of—<br>(a) for 87.5% of the ~~total~~ gross floor area of all buildings—the contribution applying to the development under clause 7.13, and<br>(b) for 12.5% of the ~~total~~ gross floor area of all buildings—9% of that total floor area. |
| Lots 6, 7 and 9, DP 10721 and Lot 8, DP 1147179, 221–223 Cope Street, Waterloo | The total amount of—<br>(a) for 67% of the ~~total~~ gross floor area of all buildings—the contribution applying to the development under clause 7.13, and<br>(b) for 33% of the ~~total~~ gross floor area of all buildings—9% of that total floor area. |
| Lots 1–41, SP 79210, 233 Cope Street, Waterloo | The total amount of—<br>(a) for 73% of the ~~total~~ gross floor area of all buildings—the contribution applying to the development under clause 7.13, and |

These amendments reflect the change proposed to Sydney LEP 2012 7.13 which removes reference to total floor area (with associated definition) as the basis for contribution calculations in favour of gross floor area as the basis for calculations moving forward.

| | |
|---|---|
| | (b) for 27% of the ~~total~~ gross floor area of all buildings—9% of that total floor area. |
| Lots 1–58, SP 69476, 110 Wellington Street, Waterloo | The total amount of—<br>(a) for 68% of the ~~total~~ gross floor area of all buildings—the contribution applying to the development under clause 7.13, and<br>(b) for 32% of the ~~total~~ gross floor area of all buildings—9% of that total floor area. |
| Lots 10 and 11, DP 10721, 116 Wellington Street, Waterloo | The total amount of—<br>(a) for 66% of the ~~total~~ gross floor area of all buildings—the contribution applying to the development under clause 7.13, and<br>(b) for 34% of the ~~total~~ gross floor area of all buildings—9% of that total floor area |

**Sydney Local Environmental Plan (Green Square Town Centre) 2013 – 1.8A Savings provisions relating to development applications**

| | |
|---|---|
| (8) The amendments made to clause 6.5 by Sydney Local Environmental Plan (Green Square Town Centre) Amendment (XXXX) 20XX do not apply to a development applications that are made but not finally determined before the commencement of the amendments. | This amendment is to ensure the amended planning controls are only to apply to development applications that are lodged after the amended planning controls come into effect. |

**Sydney Local Environmental Plan (Green Square Town Centre) 2013 – 6.5 Affordable housing**

| | |
|---|---|
| (1) This clause applies to development that involves—<br>(a) the erection of a new building the gross floor area of which is more than 200 square metres, or<br>(b) alterations to an existing building that will result in the creation of more than 200 square metres of gross floor area that is intended to be used for the purpose of residential accommodation, or<br>(c) alterations to an existing building that will result in the creation of more than 60 square metres of gross floor area that is intended to be used for a purpose other than residential accommodation, or<br>(d) the demolition of existing floor area and the subsequent creation, whether for the same or a different purpose, of more than 200 square metres of gross floor area, or<br>(e) a change of use of more than 60 square metres of existing floor area of a building. | Retain as existing. |
| (2) The consent authority may, when granting development consent to development to which this clause applies, impose a condition | This amendment facilitates the change from total floor area to gross floor area as the basis for floor area calculations, to provide |

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| requiring a contribution not exceeding the ***applicable affordable housing levy contribution***, being—<br>(a) 3% of the ~~total~~ gross floor area of the development that is intended to be used for residential purposes, and<br>(b) 1% of the ~~total~~ gross floor area of the development that is not intended to be used for residential purposes. | consistency with all other floor area measures in the City and across the City's affordable housing provisions. |
| (3) A condition imposed under this clause must only require the payment ~~permit a person to satisfy the **_affordable housing levy contribution_**—~~<br>~~(a) by way of a dedication in favour of the Council of land comprising one or more dwellings (each having a total floor area of not less than 35 square metres) with any remainder being paid as a monetary contribution to the Council;~~<br>~~(b) if the person so chooses, by way~~ of a monetary contribution to the Council. | This amendment seeks to remove the current ability for a developer to choose to satisfy and affordable housing contribution by dedicating built dwellings OR making monetary contribution, and instead require a monetary contribution only. |
| (4) The rate at which monetary contribution is taken to be equivalent to floor area for the purposes of this clause is to be calculated in accordance with the ***City of Sydney Affordable Housing Program*** adopted by the Council on ~~26 June 2023~~ *XX XX 202X*. | This amendment is to update the reference to the City of Sydney Affordable Housing Program to reflect the newly amended Program. |
| **Note—**<br>The program is made available by the Council on its website (www.cityofsydney.nsw.gov.au) | Retain as existing. |
| (5) To avoid doubt—<br>(a) it does not matter whether the floor area, to which a condition under this clause relates, was in existence before, or is created after, the commencement of this clause, or whether or not the floor area concerned replaces a previously existing area, and<br>(b) the demolition of a building, or a change in the use of the land, does not give rise to a claim for a refund of any contribution. | Retain as existing. |
| (6) ~~In this clause—~~<br>~~total floor area means the total of the areas of each floor of a building within the outer face of the external enclosing walls and including balconies, but excluding the following—~~<br>~~(a) columns, fins, sun control devices, awnings and other elements, projections or works outside the general lines of the outer face of the external walls,~~<br>~~(b) that part of a balcony that exceeds the minimum area required by the consent~~ | This amendment is to remove any reference to "Total Floor Area", noting that the contribution requirement will be calculated on Gross Floor Area going forward.<br>The current exclusions from TFA of development on land in Zone E4 or floor area used to provide affordable house, public housing or community facilities are instead to be incorporated in the City's Program.<br> |

| | |
|---|---|
| ~~authority for the balcony,~~<br>~~(c) ancillary car parking permitted by the consent authority and associated internal vehicular and pedestrian access to that car parking,~~<br>~~(d) space for the loading and unloading of goods,~~<br>~~(e) the floor area of a building, including balconies, that is—~~<br>~~(i) on land in Zone IN1 General Industrial, or~~<br>~~(ii) used to provide affordable housing or public housing, or~~<br>~~(iii) used for the purpose of community facilities.~~<br>Repealed | |
| **Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 – 1.8A Savings provisions relating to development applications** | |
| (8) The amendments made to clause 6.5 by Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) Amendment (XXXX) 20XX do not apply to a development applications that are made but not finally determined before the commencement of the amendments. | This amendment is to ensure the amended planning controls are only to apply to development applications that are lodged after the amended planning controls come into effect. |
| **Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 – 6.5 Affordable housing** | |
| (1) This clause applies to development that involves—<br>(a) the erection of a new building the gross floor area of which is more than 200 square metres, or<br>(b) alterations to an existing building that will result in the creation of more than 200 square metres of gross floor area that is intended to be used for the purpose of residential accommodation, or<br>(c) alterations to an existing building that will result in the creation of more than 60 square metres of gross floor area that is intended to be used for a purpose other than residential accommodation, or<br>(d) the demolition of existing floor area and the subsequent creation, whether for the same or a different purpose, of more than 200 square metres of gross floor area, or<br>(e) a change of use of more than 60 square metres of existing floor area of a building. | Retain as existing. |
| (2) The consent authority may, when granting development consent to development to which this clause applies, impose a condition requiring a contribution not exceeding the ***applicable affordable housing levy contribution***, being— | This amendment facilitates the change from total floor area to gross floor area as the basis for floor area calculations, to provide consistency with all other floor area measures in the City and across the City's affordable housing provisions. |

| | |
|---|---|
| (a) 3% of the ~~total~~ gross floor area of the development that is intended to be used for residential purposes, and<br><br>(b) 1% of the ~~total~~ gross floor area of the development that is not intended to be used for residential purposes. | |
| (3) A condition imposed under this clause must only require the payment ~~permit a person to satisfy the ***affordable housing levy contribution***—~~<br><br>~~(a) by way of a dedication in favour of the Council of land comprising one or more dwellings (each having a total floor area of not less than 35 square metres) with any remainder being paid as a monetary contribution to the Council;~~<br><br>~~(b) if the person so chooses, by way~~ of a monetary contribution to the Council. | This amendment seeks to remove the current ability for a developer to choose to satisfy and affordable housing contribution by dedicating built dwellings OR making monetary contribution, and instead require a monetary contribution. |
| (4) The rate at which monetary contribution is taken to be equivalent to floor area for the purposes of this clause is to be calculated in accordance with the ***City of Sydney Affordable Housing Program*** adopted by the Council on ~~26 June 2023~~ XX XX 202X. | This amendment is to update the reference to the City of Sydney Affordable Housing Program to reflect the newly amended Program. |
| **Note—**<br>The program is made available by the Council on its website (www.cityofsydney.nsw.gov.au) | Retain as existing. |
| (5) To avoid doubt—<br><br>(a) it does not matter whether the floor area, to which a condition under this clause relates, was in existence before, or is created after, the commencement of this clause, or whether or not the floor area concerned replaces a previously existing area, and<br><br>(b) the demolition of a building, or a change in the use of the land, does not give rise to a claim for a refund of any contribution. | Retain as existing. |
| (6) ~~In this clause—~~<br><br>~~total floor area means the total of the areas of each floor of a building within the outer face of the external enclosing walls and including balconies, but excluding the following—~~<br><br>~~(a) columns, fins, sun control devices, awnings and other elements, projections or works outside the general lines of the outer face of the external walls,~~<br><br>~~(b) that part of a balcony that exceeds the minimum area required by the consent authority for the balcony,~~ | This amendment is to remove any reference to “Total Floor Area”, noting that the contribution requirement will be calculated on Gross Floor Area going forward.<br><br>The current exclusions from TFA of development on land in Zone E4 or floor area used to provide affordable house, public housing or community facilities are instead to be incorporated in the City’s Program. |

| | |
|---|---|
| ~~(c) ancillary car parking permitted by the consent authority and associated internal vehicular and pedestrian access to that car parking,~~<br>~~(d) space for the loading and unloading of goods,~~<br>~~(e) the floor area of a building, including balconies, that is—~~<br>~~(i) on land in Zone IN1 General Industrial, or~~<br>~~(ii) used to provide affordable housing or public housing, or~~<br>~~(iii) used for the purpose of community facilities.~~<br>Repealed | |

# Attachment B

## Draft City of Sydney Affordable Housing Program Amendment 2024

# Draft City of Sydney Affordable Housing Program

## Adopted XX XXX XXXX

# Contents

# 1. About the Program

The City of Sydney Affordable Housing Program (this Program) is to provide the background, requirements and operational detail for various affordable contribution provisions in local environmental plans (LEPs) that operate in the City of Sydney.

This Program was adopted by Council on XX XX XXX and came into effect on XX XX XXX.

| **Public exhibition note - Implementation** |
| --- |
| The above dates can only be finalised if and when this Program is adopted by Council and changes to the Sydney Local Environmental Plan 2012, the Sydney Local Environmental Plan (Green Square Town Centre) 2013, and the Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013 are made.<br><br>This Program has no effect until that time. |

## 1.1 Program Objectives

The objectives of this Program are to:

- recognise affordable rental housing as critical infrastructure necessary to support; sustainable and diverse communities and long term economic growth in the City of Sydney local government area (city);
- ensure that, as the cost of housing increases in the city, affordable rental housing is provided for very low to moderate income households;
- ensure there are opportunities for very low to moderate income households, who have an historical connection with the city, to live in the city;
- ensure there are opportunities for very low to moderate income earners who work in the city to live in the community in which they are employed; and
- facilitate opportunities for government and community housing providers (CHP) to supply affordable housing within the city.

## 1.2 Relationship to other Programs

This Program, on the day it came into effect, repeals and replaces the City of Sydney Affordable Housing Program, adopted by Council ~~24 August 2020~~ 26 June 2023.

Any development applications determined prior to the commencement of this Program are not altered by the commencement of this Program.

## 1.3 Where does this Program apply?

This Program applies to land to which the *Sydney Local Environmental Plan 2012,* the *Sydney Local Environmental Plan (Green Square Town Centre) 2013* and *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2)* applies.

This Program also applies to 'Planning Proposal land' where it is identified in the abovementioned local environmental plans (LEPs) or any other Environmental Planning Instrument (EPI).

The Program may not apply to:

- development to which the Redfern-Waterloo Authority Affordable Housing Contributions Plan 2006 applies, where the plan is still in effect; and
- other land in the City of Sydney, unless otherwise identified as applying in another EPI, where *Sydney Local Environmental Plan 2012*, *Sydney Local Environmental Plan (Green Square Town Centre) 2013* or *Sydney Local Environmental Plan (Green Square Town Centre – Stage 2) 2013* do not apply.

## 1.4 Legislative basis for affordable housing contributions

This Program applies in accordance with the requirements in the *Environmental Planning and Assessment Act 1979* (the Act).

The State Environmental Planning Policy (Housing) 2021 recognises that all local government areas within NSW are areas where there is a need for affordable housing.

Local environmental plans contain controls for the calculation, levying and management of affordable housing contributions in the City of Sydney.

## 1.5 Affordable Housing Principles

The City of Sydney affordable rental housing principles are informed by the Housing SEPP. The affordable rental housing principles are:

- affordable rental housing is to be provided and managed in the City of Sydney LGA so that a socially diverse residential population, representative of all income groups, is maintained;
- affordable rental housing that is provided is to be made available to a mix of households on very low to moderate incomes;
- affordable rental housing that is provided is to be rented to very low to moderate income households at no more than 30% of gross household income;
- dwellings provided for affordable rental housing are to be managed so as to maintain their continued use for affordable rental housing; and
- affordable rental housing is to consist of dwellings constructed to a standard which, in the opinion of the City, is consistent with other dwellings in the LGA.

The affordable housing principles are generally satisfied where:

- an affordable housing contribution (monetary or in-kind contribution) is distributed in accordance with any distribution plan adopted by Council;

- resulting affordable rental dwellings are subject to ongoing monitoring of compliance with the requirements of this Program;
- the continued use of resulting affordable rental dwellings, as affordable rental dwellings, is legally secured. This is generally by way of a restrictive covenant on the title of the property, though other approaches may be considered;
- resulting affordable rental dwellings are rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income;
- any CHP that is to own and/or manage resulting affordable rental dwellings, must have a mix of very low, low and moderate income tenants across their portfolio;
- all rent received after deduction of management and maintenance costs will be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing in the LGA. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling; and
- resulting affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is, they are of a similar design quality so as to not be externally differentiated as affordable housing compared with the design quality of other housing.

While the affordable housing principles apply to affordable housing contributions received pursuant to 7.32 of the Act, where the City has made a substantial contribution to other affordable housing, the affordable housing principles may still apply.

## 1.6 Amending this Program

Amendment to this Program will generally require amendment to LEPs, or other EPIs, that directly refer to this Program as dated.

Amendment and/or update to the information provided at the appendices may occur from time to time and does not require an amendment to LEPs or EPIs.

## 1.7 Terms used in this Program

### Affordable housing

**Affordable housing** is defined by the *Environmental Planning and Assessment Act 1979* as:

“housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument”.

### Affordable rental housing

Under this Program, **Affordable rental housing** or **Affordable rental dwelling** is **affordable housing** that is owned and managed by government, a **Recommended Community Housing Provider**, or an **Eligible Community Housing Provider** and rented to **very low to moderate income households**.

## City of Sydney Local Government Area

**The City of Sydney Local Government Area (LGA**) refers to the area within the "LGA Boundary" shown in the *Sydney Local Environmental Plan 2012* Land Application Map, as published in the NSW Government Gazette on 14 December 2012, as updated from time to time.

## Council / City / city / consent authority

References to **City** are references to the City of Sydney organisation.

References to the **Council** are references to the Council of the City of Sydney, that is, the elected representatives and their delegates.

References to the **city** are references to the City of Sydney local government area.

References to the **consent authority** are references to the authority responsible for the approval of a development application.

## Developer

References to the **developer** in this Program are references to the proponent of any development application that requires an affordable housing contribution.

## Development application

References to **development applications** in this Program refer to both development applications and any application for the modification of a development consent.

## Distribution Plan

**Distribution Plan** refers to any plan adopted by the City of Sydney Council for the distribution of affordable housing contributions ~~funds~~ arising from this Program.

## Eligible Community Housing Provider

**Eligible Community Housing Providers** are community housing providers that are classified as a Tier 1 or Tier 2 providers under the National Regulatory Code.

## Environmental Planning Instrument (EPI)

An Environmental Planning Instrument (EPI) is a reference to a state or regional environmental planning policy or a local environmental plan.

## Local Environmental Plan (LEP)

Reference to various **LEPs** in this Program apply to any LEP that replaces it, so long as the affordable housing provisions remain substantially unamended.

## Planning Proposal Land

Planning Proposal land refers to land that is defined in Schedule 6C of Sydney Local Environmental Plan 2012.

### Recommended CHPs

**Recommended CHPs** are those providers identified in a ~~D~~distribution ~~P~~plan as Recommended CHPs.

### Housing SEPP

References to the **Housing SEPP** are references to State Environmental Planning Policy (Housing) 2021, or any replacement of that policy.

### Very low to moderate income households

**Very low to moderate income households** are those households whose gross incomes fall within the following ranges of percentages of the median household income for Greater Sydney—Greater Capital City Statistical Area or the Rest of NSW—Greater Capital City Statistical Area according to the Australian Bureau of Statistics:

- Very low income household - less than 50%
- Low income household – 50% or more but less than 80%
- Moderate income household – 80% to 120%

# 2 Affordable housing contributions

This Section describes how an affordable housing contribution may be satisfied, the equivalent monetary contribution amounts ~~for the rates in the LEPs~~, how the contribution will be applied in the development application process and how it will be managed for the provision of affordable housing.

## 2.1 Contribution ~~rates~~ requirement

Local environmental plans (LEPs), or another EPI[1], will establish the affordable housing contribution ~~rate~~ requirements that apply to land in the LGA and the type of development to which a contribution requirement might apply. ~~as it applies to the development. The rate varies across different areas and types of land.~~

Contribution requirements are generally set out in a local environmental plan, although may also be set out in another environmental planning instrument.

The contribution requirement must be satisfied in accordance with the requirements of the LEP or EPI.

[1] On land identified in an EPI (other than an LEP) where this Program is applied, where the method for calculation is not otherwise set out in the EPI or in a supplementary note / guideline, the contribution will be calculated in accordance with this Program, that is, in accordance with:

- the relevant equivalent monetary contribution amounts; and
- the method for calculating the contribution requirement in the different parts of the LGA.

### ~~(2.1.1) Green Square, Southern Employment Lands and Ultimo-Pyrmont~~

~~On land in Green Square, the Southern Employment Lands, Ultimo-Pyrmont the contribution rate is:~~

- ~~1 per cent of the total floor area that is to be used for non-residential uses; and~~
- ~~3 per cent of the total floor area that is to be used for residential uses.~~

~~The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program.~~

### ~~2.1.2 Central Sydney and residual lands~~

~~In Central Sydney and on residual land, on all development applications lodged after 1 July 2022, the contribution rate is:~~

- ~~1 per cent of the total floor area that is to be used for non-residential uses; and~~
- ~~3 per cent of the total floor area that is to be used for residential uses.~~

~~The contribution must may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program.~~

### ~~2.1.3 Other land identified in an EPI where this Program is applied~~

~~On land identified in an EPI, where this Program is applied, the relevant affordable housing contribution rate will be set out in the EPI.~~

~~The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program.~~

### ~~2.1.4 Planning Proposal lands~~

~~On Planning Proposal land the contribution requirement varies from site to site. The contribution rate, once determined through the planning proposal process, is specified in an LEP or other EPI.~~

~~The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution in accordance with this Program. The LEP, or other EPI, may specify how the contribution requirement must be satisfied.~~

~~The approach used to establish the appropriate contribution rate for Planning Proposal land is described at Appendix B.~~

### ~~2.1.5 Satisfying a contribution requirement by dedicating dwellings~~

~~An affordable housing contribution requirement may be satisfied by dedication, free of cost, of affordable housing dwellings. Affordable rental dwellings resulting from a contribution are to be provided in the development in accordance with the following requirements:~~

- ~~affordable rental dwellings are to align with the Affordable Housing Principles at Section 1 of this Program~~
- ~~affordable rental dwellings are owned by government or a nominated or Recommended and Eligible CHP or as otherwise provided for in any distribution plan adopted by Council~~
- ~~affordable rental dwellings are provided in the city in perpetuity~~
- ~~affordable rental dwellings are rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income~~
- ~~where more than 10 affordable rental dwellings are being provided in the development, at least 25 per cent of dwellings are to be allocated to very low income households and 25 per cent of dwellings to low income households*~~
- ~~all rent received from the affordable rental dwellings after deduction of management and maintenance costs will only be used for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling~~
- ~~affordable rental dwellings are designed and constructed to a standard which, in the opinion of the City, is generally consistent with other dwellings in the city, that is, they are not differentiated as affordable housing compared with the design of other housing~~
- ~~each affordable rental dwelling is to have a total floor area of not less than 35 square metres, with any remainder being paid as a monetary contribution to the City, and~~
- ~~where multiple affordable rental dwellings are provided in the development, the amenity benchmarks established by the Apartment Design Guideline (or any subsequent Guideline that may apply from time to time) are to be generally achieved..~~

~~* This tenure mix applies at first occupation of the dedicated dwellings. Recognising that the income of residents can vary over time, the tenure mix need only be reviewed at change-over of tenants to ensure the mix remains as close as possible to the required mix. In the interim, a CHPs portfolio can be managed to meet the required tenure mix of very low, and moderate-income households across the City of Sydney LGA.~~

~~The location, size and quality of affordable housing dwellings are to be to the satisfaction of the City and the receiving CHP. If they are not to satisfaction of both parties, the City may require changes to the development application, or that the contribution be made by way of an equivalent monetary contribution.~~

~~Where part of a contribution is satisfied by dedicating dwellings, any remaining floor area must be paid as a monetary contribution.~~

~~All floor area to be dedicated for affordable housing is to be allocated as dwellings, that is, common circulation areas are not considered part of the contribution requirement. An exception to this is where all the affordable housing floor area is provided as a full floor of a development or as a stand-alone building.~~

~~Appendix C details the process for dedicating dwellings for affordable housing unless otherwise provided for in any distribution plan adopted by Council.~~

## 2.2 ~~(2.1.5)~~ Satisfying a contribution requirement by making an equivalent monetary contribution

The Section sets out how an affordable housing contribution can be satisfied by making an equivalent monetary contribution to Council.

~~An affordable housing contribution requirement may be satisfied by making an equivalent monetary contribution to the City. This requirement may be satisfied by the payment of money.~~

~~The equivalent monetary contribution amount for the period of 1 March 2023 to 28 February 2024 is **$10,611.53 per square metre.**~~

The equivalent monetary contribution amount differs depending on the affordable housing contribution precinct the development is located in. The affordable housing contribution precincts are shown in Figure 1.

The equivalent monetary contribution amounts as at 1 March 2024 to 28 February 2025 are set out in Table 1. Adjustments are made to the equivalent monetary contribution amounts on an annual basis in accordance with this Program. ~~The City of Sydney's website lists the current monetary contribution amounts as indexed.~~ Monetary contribution amounts, as indexed, are published on the City of Sydney website.

**Table 1:** Equivalent monetary contribution amounts

| Affordable housing contribution precinct* | To XX XX XXXX [being up to 2 years from approval of this Program] | From XX XX XXXX [being 2 years from approval of this Program] (50% implementation) | From XX XX XXXX [being 4 years from approval of this Program] (Full implementation) |
|---|---|---|---|
| South precinct | $12,293.84 | $12,396.92 | $12,500.00 |
| East precinct | $12,293.84 | $16,146.92 | $20,000.00 |
| West precinct | $12,293.84 | $13,646.92 | $15,000.00 |
| Central precinct | $12,293.84 | $14,896.92 | $17,500.00 |

Notwithstanding the equivalent monetary contribution amounts set out in Table 1, for development in Central precinct, that is entirely for the purpose of build-to-rent housing (provided in accordance with the Housing SEPP) or co-living housing (as defined in the Standard Instrument – Principle Local Environmental Plan), the equivalent monetary contribution amount will remain at $12,293.84 per square metre, as indexed, until the date of the full implementation of the rates as set out in Table 1. From that time the concession rate for these housing types will end.

**Public exhibition note – Phasing-in new contribution requirements**

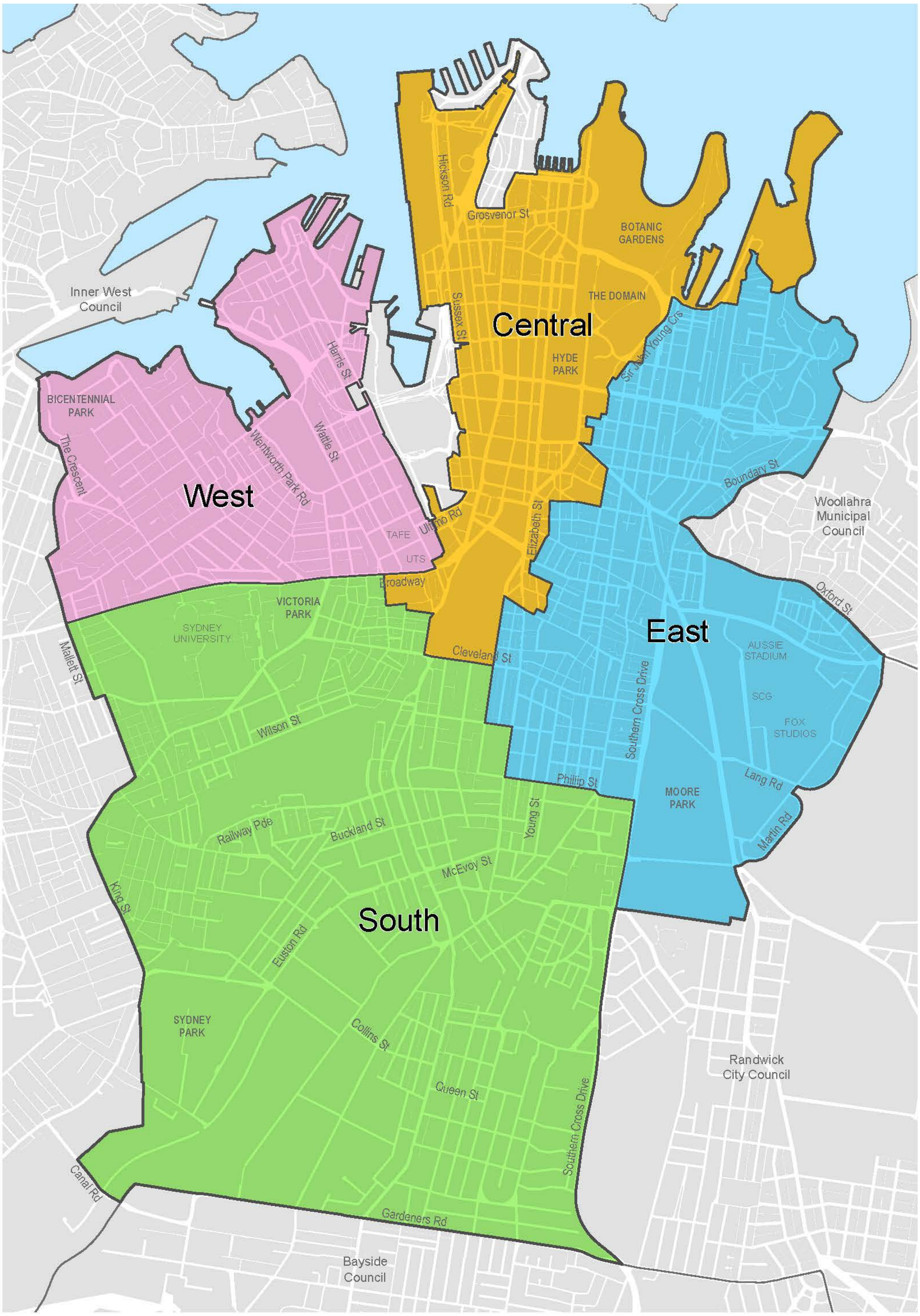
Table 1 shows proposed changes to the current 'one size fits all' equivalent monetary contribution rate to allow for a bespoke rate for each precinct. The rates are to be phased in over a period of four years from the adoption of this draft Program by Council.

**Public exhibition note – TFA to GFA**

It is noted the current rate in the Program of $11,176.22 per square metre of 'Total Floor Area' is equivalent to the 'To XX XX XXXX' rate in the first column, which is expressed as a per square metre of 'Gross Floor Area' rate.

Development applications lodged prior to the commencement of the LEPs that implement this draft Program will be subject to the current affordable housing provisions in the Sydney LEP 2012 and the Green Square Town Centre LEPs. This means the contribution requirement will continue to be based on the amount of 'Total Floor Area' in the development and the associated equivalent monetary contribution amount, as published on the City's website.

**Figure 1:** Affordable housing contribution precincts



### 2.2.1 ~~(2.1.5)~~ Calculating the contribution in Ultimo-Pyrmont, Green Square, ~~and~~ the Southern Employment Lands and on Planning Proposal lands

In Ultimo/Pyrmont, Green Square (including the Green Square Town Centre), ~~and~~ the Southern Employment Lands and on planning proposal lands, the contribution requirement applies because the areas were rezoned. Over time, ~~it is envisaged that~~ all floor area in these ~~areas~~ locations will make a contribution to affordable housing, because all floor area has benefited from the rezoning.

The contribution is therefore calculated on all of the ~~total~~ gross floor area in the building to which the development application applies.

**Example**

A development application in Green Square (south precinct) for a new 10,000sqm development, comprises 1,000 square metres of non-residential ~~total~~ gross floor area and 9,000sqm of residential ~~total~~ gross floor area. The affordable housing contribution is calculated as:

~~(1% x 1,000sqm) + (3% x 9,000sqm) = 280sqm of dedicated floor area~~

~~or~~

(1% x 1,000sqm x ~~$10,611~~ $12,293.84) + (3% x 9,000sqm x ~~$10,611~~ $12,293.84) = ~~$2,971,080~~ $3,442,275 equivalent monetary contribution

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

**Example**

A development application for a warehouse conversion in the Southern Employment Lands (south precinct) includes a new mezzanine level comprising 1000sqm of non-residential ~~total~~ gross floor area. The existing ~~total~~ gross floor area in the warehouse is 2000sqm. The affordable housing contribution is calculated as:

(1% x 3,000sqm x ~~$10,611~~ $12,293.84) = ~~$318,330~~ $368,815 equivalent monetary contribution

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

Note: In-kind contribution will not be suitable in a non-residential development.

**Example**

A development application in Blackwattle Bay, Pyrmont (west precinct) for a new 20,000sqm development is lodged. The affordable housing contribution is calculated as:

(7.5% x 20,000sqm x $12,293.84) = $18.4m equivalent monetary contribution

Note: This is a simplified example based on the contribution requirement set out at Clause 6.70 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

**Example**

A development application on Planning Proposal land in Waterloo (south precinct) for a new residential development is lodged (there is no non-residential floor area proposed).

The site was previously rezoned to increase the development capacity from 10,000sqm to 15,500sqm, an increase of 5,500sqm. When the site was rezoned, an additional affordable housing contribution requirement for the "new" floor space was put into effect. The clause required:

- a 3% contribution requirement on the residential floor space that was available before the rezoning (65% of the development capacity); and
- a 20% contribution requirement on the "new" residential floor space (35% of the development capacity).

The affordable housing contribution is calculated as:

((3% x (65% x 15,500sqm)) + ((20% x (35% x 15,500sqm))) x $12,293.84 = $17.1m equivalent monetary contribution

Note: This is a simplified example based on a fictional contribution requirement set out at Clause 7.13B and Schedule 6C of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

See Appendix B for more information about how a Planning Proposal land contribution requirement may be established.

### 2.2.2 ~~(2.1.6)~~ Calculating the contribution in Central Sydney and on residual land

In Central Sydney and on residual land (where it is not identified as Planning Proposal land), the contribution requirement applies to new or more intensely used floor area only, because the areas were not rezoned at the time when the contribution was introduced.

The contribution is therefore calculated only on the floor area ~~space~~ to which the development application directly relates.

For the purposes of this Program:

- demolition and replacement of the same floor area is considered to be new floor area;
- the extent of improvement works to a building as a whole will be considered to determine whether the nature of works proposed will result in an essentially new building; and
- more intensely used floor area is required to make an affordable housing contribution due to the overall gentrifying effect that is observed as sites change use over time. More intensely used floor area is therefore considered to be triggered with a change from industrial floor area to commercial floor area and from commercial floor area to residential floor area.

**Example**

A development application on residual land in Newtown (west precinct) for the demolition of an existing building and a new building comprising a ~~total~~ gross floor area of 10,000sqm of residential gross floor area will be calculated as:

~~3% x 10,000sqm = 300sqm of dedicated floor area~~

~~or~~

3% x 10,000sqm x ~~$10,611~~ $12,293.84 = ~~$3,183,300~~ $3,688,152 equivalent monetary contribution

Note: Existing gross floor area that is demolished and replaced is not ‘credited’ against the contribution requirement.

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

**Example**

A development application in Darlinghurst (east precinct) for a new mezzanine level comprising 200sqm of non-residential ~~total~~ gross floor area, is made for an existing commercial building. The existing ~~total~~ gross floor area in the warehouse is 2,000sqm. The affordable housing contribution is calculated as:

(1% x 200sqm x ~~$10,611~~ $12,293.84) = ~~$21,222~~ $24,588

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

~~Note: In-kind contribution will not be suitable in a non-residential development.~~

**Example**

A development application for ~~two~~ one new residential storey~~s~~ on top of an existing building is made in Central Sydney (Central precinct). The new development comprises a ~~total~~ gross floor area of 800sqm. The affordable housing contribution is calculated as:

3% x 800sqm x ~~$10,611~~ $12,293.84 = ~~$254,664~~ $295,052 equivalent monetary contribution

Note: This is a simplified example based on the contribution requirement set out at Clause 7.13 of Sydney LEP 2012. No exemptions have been applied. The starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example.

~~Note: An in-kind contribution will not be suitable in this situation because the contribution requirement is for less than 35sqm of floor area.~~

### ~~(2.1.7) Calculating the contribution on Planning Proposal land~~

~~On Planning Proposal land, the method for calculating the amount is set out in the relevant LEP, or other EPI.~~

### ~~(2.1.8) Calculating the contribution on land identified in an EPI where this Program is applied~~

~~On other land identified in an EPI where this Program is applied, the method for calculating the amount is set out in the EPI or, where it is not set out in the EPI, then will be set out in a supplementary note / guideline to this Program, adopted by the Minister for Planning or their delegate.~~

## 2.2.3 Conditions of consent for making monetary contributions

A contribution requirement will be set out in a condition of development consent. Evidence the condition of consent has been satisfied is required prior to the issue of a construction certificate.

In circumstances where no construction certificate is required, evidence the condition of consent has been met will be required before commencement of use / occupation.

## 2.2.4 How to make a payment

Payment will be by unendorsed bank cheque or other approved means to the City of Sydney Council prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation. The procedure for making payment is provided in the condition of consent.

If a development requires multiple construction certificates, the City will require payment prior to the release of the first construction certificate relating to the development consent on which the contributions were levied.

## 2.3 Satisfying a contribution requirement by dedicating built dwellings

This Section sets out where an affordable housing contribution must be, or is proposed to be satisfied, in part or in full, by the dedication of built dwellings.

### 2.3.1 Where a dedication of built dwellings may be required by the consent authority

This Section sets out the criteria to determine where an affordable housing contribution will be required by the consent authority to be satisfied by dedicating built dwellings (only where an LEP, or other EPI, empowers the consent authority to make such a requirement).

An affordable housing contribution will be required by the consent authority to be satisfied by dedicating built dwellings where:

- the development is predominantly for a residential purpose;
- the development will (or in the case of a Stage 1 development application, may) result in a contribution requirement for more than 600 square metres of gross floor area that can be provided as eight or more dwellings;
- the development is located in Category A or B area of the Sydney LEP 2012 Land Use and Transport Integration Map (if the development is subject to the Sydney LEP 2012);
- in the opinion of the consent authority, affordable housing dwellings may reasonably be provided where they could avoid participation in a future strata scheme, if the quarterly costs of the scheme would likely be high* and render the management of the property for affordable housing as unsustainable**. This could reasonably be achieved where the dwellings to be dedicated could be provided:
  - in a separate stratum in a building in the development, preferably with its own entry; or
  - in a separate building in the development; and
- in the opinion of the consent authority, the standards for dedicated affordable housing dwellings, provided at Appendix C, can be reasonably satisfied.

* Where the development incorporates amenities that are likely to result in high management costs, for example, a significant number of lifts, pool(s), gym(s), concierge facilities etc.
** Affordable housing may be 'unsustainable' where rents will not meet the costs of strata and other cyclical management costs of the dwelling over a 40-year ownership period.

In determining if it will require the dedication of built dwellings, the consent authority must consult with the Recommended CHP, identified in any distribution plan adopted by Council as being the recipient of dedicated dwellings.

The consent authority may not require the dedication of built dwellings where the Recommended CHP, identified in any distribution plan adopted by Council as being the recipient of dedicated dwellings, provides evidence that the proposed dwellings are unsuitable for use as affordable housing.

The City of Sydney Executive Director City Planning, responsible for development applications, must provide written advice confirming the suitability of dwellings proposed for dedication prior to a condition of consent for dedication being applied to a development consent.

The development application process for development that may be required to dedicate built dwellings is provided at Appendix D.

Where the above criteria cannot be met, the consent authority will require the affordable housing contribution be satisfied by making a monetary contribution in accordance with Section 2.2 of this Program.

### 2.3.2 Conditions of consent for dedicating dwellings

An affordable housing contribution requirement for the dedication of dwellings will be set out in a condition of development consent. Evidence that a condition of consent has been satisfied is required prior to the issue of any occupation certificate in the development.

### 2.3.3 Floor area to be dedicated for affordable housing dwellings

The floor area to be dedicated to Council is to include:

- dedicated dwellings (including any associated private spaces, such as balconies and courtyards); and
- any required horizontal circulation spaces that form part of a stratum that allow access to the dwelling/s.

### 2.3.4 How dedicated dwellings are to be used

Affordable rental housing resulting from a dedication requirement is to be allocated in accordance with any requirements set out in any distribution plan adopted by Council.

## 2.4 ~~(2.2)~~ Development that may be exempt from making a contribution, or may have a reduced contribution requirement

The following development is exempt from making an affordable housing contribution:

- any building on land in Zone E4 General Industrial, or
- any floor area used to provide affordable housing or public housing (for the avoidance of doubt, development to which Chapter 2, Part 2, Division 1 or Chapter 3, Part 4 of the Housing SEPP applies is not development excluded from the need to make a contribution), or
- City of Sydney development – development undertaken by or on behalf of the City of Sydney. This include development being undertaken for a public purpose, but excludes development being undertaken for a sole commercial purpose.

Where affordable housing provided under Chapter 2, Part 2, Division 1 of the Housing SEPP is provided in perpetuity and rented to very low to moderate income households at no more than 30% of gross household income in accordance with the Affordable Housing Principles of this Program, the consent authority may consider a case for exempting that development from the requirement for an affordable housing contribution.

Where a building is predominantly affordable housing (with a small proportion of floor area dedicated to ancillary non-residential uses), provided in accordance with the Principles of this Program, and does not include any market housing, a contribution requirement will not be applied to the entirety of the floor area in that building.

The consent authority may consider a case for exempting development from the requirement for an affordable housing contribution if the development application is for one or more of the following (and no other development):

- where the cost of construction is less than $100,000; or
- where the change of use is from:
  - a commercial use or light industrial use to a general industrial use or heavy industrial use; or
  - a general or heavy industrial use to another general industrial use or heavy industrial use.

Where the development would result in the affordable housing contribution monetary rate amounting to more than 15 per cent of the agreed cost of construction, then the affordable housing contribution requirement will not exceed 15 per cent of the agreed cost of construction.

~~Where social/affordable housing floor space is being provided, in accordance with the Principles of this Program, a contribution requirement will not be applied to that floor space.~~

~~Where a building is predominantly affordable housing (with a small proportion of floorspace dedicated to ancillary non-residential uses), provided in accordance with the Principles of this Program, and does not include any market housing, a contribution requirement will not be applied to the entirety of the floor space in that building.~~

The following are some examples of when the LEP clause may or may not apply to specific types of development.

| **For example** |
| --- |
| The City receives a development application for a new 50sqm mezzanine in an office building in Central Sydney. The application will not give rise to an affordable housing contribution because the ~~LEP clause~~ contribution requirement does not apply to development that only results in the creation of less than 60sqm of non-residential gross floor area, and no other development. |

**For example**

The City receives a development application in the Southern Employment Lands for a new 50sqm (non-residential) mezzanine and a change of use for the 100sqm of existing gross floor area from a warehouse (general industrial) to a retail use, and no other development.

The contribution requirement will apply because more than 60sqm of existing gross floor area is changing use.

**For example**

The City receives a development application in the residual lands for a change of use of 5,000sqm of existing commercial gross floor area to serviced apartments, and no other development.

The contribution requirement will apply because on residual land (and in Central Sydney) ~~(and on residual land)~~ the contribution requirement applies where there is a change of use of existing gross floor area from a non-residential purpose to a residential purpose or tourist or visitor accommodation purpose, and serviced apartments are 'tourist and visitor accommodation'.

**For example**

The City receives a development application in Green Square for a change of use of 2,000sqm of existing retail gross floor area to office gross floor area, and no other development.

The contribution requirement will apply to the entire development because in Green Square, any change of use will trigger the requirement for a contribution.

**For example**

The City receives a development application in Central Sydney for a change of use of 200sqm of existing retail gross floor area to office gross floor area, and no other development.

A contribution requirement will not apply because in Central Sydney, only where there is a change of use from a non-residential purpose to a residential purpose or tourist or visitor accommodation purpose~~,~~ will a contribution be applied.

**For example**

The City receives a development application in the residual lands which proposes a full internal remodel of an existing 7,500sqm commercial building. The external walls of the building will be retained, although will need reinforcing and some sections may require re-building. The building will continue to be used for commercial purposes.

A contribution requirement will apply to the entire 7,500sqm because the extent of the building works in their entirety are considered to represent a new development and the requirement for a contribution applies to new floor area in the residual lands.

**For example**

The City receives a development application for the redevelopment of a large site in Green Square. The development will involve:

- the construction of seven 8-storey mixed use buildings for market housing and various non-residential uses; and
- one 6-storey mixed use building to be provided for affordable housing, with ground level retail.

A contribution requirement will not be applied to floor area ~~space~~ in the entirety of the building to be provided for affordable housing, including the ground floor retail component. The contribution requirement will apply to the floor area ~~space~~ in the remainder of the development.

## 2.5 ~~(2.3)~~ Where a contribution has been previously paid

If an affordable housing contribution has already been made on existing ~~total~~ gross floor area, then a subsequent contribution is generally not required unless:

- it is being demolished and being replaced with floor area ~~space~~ of the same or a different use. In this case, a contribution will be applied to all of the ~~total~~ gross floor area, including the replacement floor area;
- for existing floor area ~~space~~, the previous contribution was for a non-residential purpose and the new ~~total~~ gross floor area is for a residential purpose. In this case the difference in the contribution rates will apply.

## 2.6 ~~(2.4)~~ Refunds

### 2.6.1 ~~(2.4.1)~~ For demolition or changes of use

Local environmental plans require that the consent authority must not refund an affordable housing contribution to the applicant where there is a change in use or demolition of gross floor area.

The same applies where affordable housing dwellings are provided on site, in that the dwellings (as replaced) are to remain the property of a CHP.

### 2.6.2 ~~(2.4.2)~~ Surrendered consents

~~The City~~ Council is not obligated under legislation to refund an affordable housing contribution payment.

Nevertheless, ~~the City~~ Council may consider refunding a development contribution payment to the original payee where:

- the development has not commenced and the consent has lapsed; or
- the development has not commenced and the consent will not proceed, as directed in writing by the payee. In this case ~~of former~~, the applicant will need to surrender the consent in accordance with the requirements of the Environmental Planning and Assessment Act 1979.

~~The City~~ Council will only consider refunding the contribution when it ~~the City~~ holds adequate contribution funds i.e.~~,~~ funds that have not yet been transferred to a Recommended CHP.

The applicant must apply for the refund in writing to ~~the City~~ Council.

Other than in exceptional circumstances, requests for refunds must be made within 12 months of paying the contribution for which the refund is sought.

## ~~(2.5) Conditions of consent~~

~~A contribution requirement forms part of a development consent. In all instances the City will require evidence that the condition of development consent relating to affordable housing has been satisfied prior to the granting of any construction certificate.~~

~~In circumstances where no construction certificate is required, evidence that the condition of development consent relating to affordable housing will be or has been met will be required by the City before commencement of use/occupation.~~

## ~~(2.6) How to make a payment~~

~~Payment will be by unendorsed bank cheque to the City of Sydney Council prior to issue of any construction certificate. In circumstances where no construction certificate is required, payment is required prior to commencement of use/occupation. The procedure for making payment is provided in the condition of consent.~~

~~If a development requires multiple construction certificates, Council will require payment prior to the release of the first construction certificate relating to the development consent on which the contributions were levied.~~

## 2.7 Adjustment of equivalent monetary contribution amounts

Monetary contribution amounts are adjusted on an annual basis, being the first day of March, with reference to movements in the median strata dwelling price in the City of Sydney LGA as detailed in NSW Government Rent and Sales Report, Table: Sales Price – Greater Metropolitan Region – Strata.

The Rent and Sales Report is available on the NSW Government, Department of Communities and Justice website.

The formula for adjustment of the equivalent monetary contribution amounts is:

**New Contribution Rate = Current Contribution Rate x (MDP2/MDP1)**

Where:

- **MDP1** is the median strata dwelling price used to establish the current contribution rate
- **MDP2** is the median strata dwelling price for the CURRENT period, being established by averaging the four most recently published Rent and Sales Report.

The City of Sydney's website contains the current monetary contribution amounts.

## 2.8 Adjustment of a monetary contribution amount on a development consent

Where a condition requiring a monetary contribution has been imposed, the contribution amount must be adjusted over time. That is, if a consent is issued in June 2021 and the applicant does not wish to pay the contribution and develop the site until August 2024, the contribution amount will need to be adjusted to the period in which it is paid, being 1 March 2024 to 28 February 2025.

Monetary contributions are adjusted by the City and confirmed with the applicant prior to payment being made.

The formula for adjusting a contribution amount in a condition if consent is:

**Monetary Contribution = Base Contribution Amount x (R2/R1)**

Where:

- **R1** is the contribution rate that applied at the time of consent.
- **R2** is the contribution rate that applies at the time of payment.

The Base Contribution Amount is the amount obtained from the Notice of Determination of the development application.

## 2.9 ~~Use of contributions~~ How monetary contributions are to be used

## ~~(2.9.2) How in-kind contributions are to be used~~

~~In-kind contributions of affordable housing dwellings are to be given/dedicated, free of cost, to a Recommended CHP, or as otherwise provided for in any distribution plan adopted by Council.~~

~~Where dedication is in accordance with this Program, in the circumstances that no Recommended CHP is willing to accept the in-kind contribution, then it may instead be given/dedicated by the developer to another Eligible CHP according to the terms of any planning agreement.~~

~~In-kind contributions are to remain affordable housing in perpetuity and to be owned and managed in accordance with this Program.~~

## ~~(2.9.2) How monetary contributions are to be used~~

~~Monetary contributions are to be given to Recommended CHPs in accordance with an adopted Distribution Plan.~~

Monetary contributions paid to Council are to be allocated in accordance with any requirements set out in any distribution plan adopted by Council.

Affordable housing resulting from an affordable housing contribution requirement must be owned and managed in accordance with the affordable housing principles set out in this Program.

# 3 Affordable housing on suitable employment land

In the ~~c~~City of Sydney, the proximity of some lands generally zoned for employment to amenities and services may make them suitable for affordable housing, provided that the development does not undermine the broader employment focused objectives of the zone. Sydney LEP 2012 identifies these areas in which affordable housing is permitted.

## 3.1 Requirements for affordable housing on suitable employment land

~~Monetary contributions are to be used for the sole purpose of providing and managing affordable housing in accordance with this Program.~~

Affordable rental housing developed on suitable employment land is to be provided in accordance with the affordable housing principles set out in this Program. ~~The Principles are satisfied where all the following conditions are met:~~

- ~~affordable rental dwellings are owned by government or an eligible CHP~~
- ~~affordable rental dwellings are provided in the LGA in perpetuity~~
- ~~affordable rental dwellings are rented to very low, low and moderate income households for an absolute maximum of 30 per cent of gross household income~~
- ~~up to 70 per cent of dwellings are to be allocated to income-eligible employed households~~
- ~~all rent received after deduction of management and maintenance costs will be used only for the purpose of improving, replacing, maintaining or providing additional affordable rental housing. This includes the investment of monies to meet cyclical maintenance costs and all rates and taxes payable in connection with the dwelling~~
- ~~affordable rental dwellings are designed and constructed to a standard which, in the opinion of Council, is generally consistent with other dwellings in the LGA, that is, they are not differentiated as affordable housing compared with the design of other housing.~~

## 3.2 Development applications

The Sydney LEP 2012 requires that any development for affordable housing is compatible with the existing ~~uses~~ and approved uses of land in the vicinity.

Proponents should seek pre-development application advice from the City on any proposal to develop affordable housing on employment land.

# Appendix A - Background information and affordable housing needs analysis

## 1. Introduction

Sydney remains Australia's least affordable city. The high cost of housing is an important economic and social issue in Sydney, particularly within the city where housing prices are amongst the highest in Australia.

For a global city, a sustainable and diverse housing supply is fundamental to the cultural and social vitality, economic growth, and liveability of the city. For a city to maintain its global status it needs to maintain the delivery of essential social and physical infrastructure. Housing is a critical piece of that infrastructure; where it is located, its proximity to employment, its diversity in price and type and its quality, are things that require careful management.

A range of factors are placing upward pressure on housing costs, making it increasingly difficult for very low to moderate income households to afford to rent or buy in the local area.

It is expected that without intervention the market will continue to produce housing aimed at households on relatively high incomes. Lower income households will need to move out of the inner-city, away from their communities and their employment in the inner-city.

Housing affordability may affect a city's ability to attract and retain global businesses and a highly skilled workforce. Where relatively low paid key workers, who underpin and enable growth in high value sectors, and contribute to the efficient functioning of a city, cannot access appropriate and affordable housing, there is direct risk to metropolitan Sydney's global city status and by extension the Australian economy. These low paid key workers are employed across a range of sectors and include, amongst others, our health care technicians, cleaners, bus drivers, childcare workers, administrators, hospitality staff, tour guides, musicians and artists.

Encouraging and providing affordable housing is a complex issue requiring a range of planning and policy solutions. The community housing sector is central to delivering affordable rental housing, but so too is the development sector that creates opportunities for new affordable housing to be delivered.

This Program provides the framework for affordable housing to be provided in conjunction with the development that creates the demand for it.

# 2. What is affordable housing?

Affordable housing is defined by the *Environmental Planning and Assessment Act 1979* (Act) as "housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument."

In the City of Sydney, the private housing market is unlikely to deliver housing, for purchase or for rental, which does not put a very low to moderate incomes household in housing stress or crisis, which is, they are spending more than 30 per cent of their gross income on rental or mortgage costs. Where low cost housing can be found, the demand for it is so high that it is not necessarily target income groups who absorb it.

Therefore, in the context of the city, the term 'affordable housing' is taken to mean 'affordable rental housing' that is managed by a registered CHP and rented specifically to target income households.

# 3. NSW Government and City of Sydney affordable housing objectives and targets

## 3.1 NSW Government

The NSW Government has long recognised the importance of providing affordable housing through the planning framework.

The ~~Greater Cities Commission's~~ NSW Government's Region and District Plans include targets and actions for the provision of affordable housing through the planning framework. The plan require~~s~~ councils to develop local housing strategies to address the range of housing needs in their local areas, including affordable housing.

## 3.2 City of Sydney Council

The City of Sydney has a target that 7.5 per cent of private housing will be social housing and 7.5 per cent of private housing will be affordable housing.

# 4. Affordable housing need analysis

## 4.1 Why do we need affordable housing?

### *Socio-economic impacts*

Rising housing prices, driven by a range of factors including increased demand for inner-city living, population growth, foreign investment, federal and state government fiscal and taxation policies, and constrained land supply, all result in declining housing affordability across Australia, particularly in major cities.

In the city, climbing housing costs are expected to have an increasingly detrimental impact on its socio-economic diversity as low income households are pushed from the LGA because they cannot access affordable housing. The majority of households on low to moderate incomes who remain in the private housing market are increasingly in housing stress or crisis and will eventually be forced to move out as housing costs continue to escalate ahead of wage growth.

The loss of low income households is contrary to the aims of the District Plan and the *Sustainable Sydney 2030-2050*, both of which promote the diverse and liveable socio-economic communities.

The relative inequality among those who can and cannot afford housing in the city has widened. There is a growing disconnect between affluent households able to afford private market housing and socio-economically disadvantaged households living in inner city social housing estates. This ‘hollowing out of the middle’ impacts on community sustainability.

The issue also has a dimension of generational inequality, as younger people (typically first home buyers) are increasingly priced out of the market.

### *Economic impacts*

Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic impacts.

The ongoing loss of very low to moderate income households from inner Sydney, as they are forced to the outer suburbs of Sydney, makes it increasingly difficult for essential employment sectors to fill employment vacancies and staff shifts. On the city scale, this hampers business productivity and by extension the wider economic growth of Sydney.

## 4.2 Satisfying the requirements of the Act

This Program has been prepared in accordance with the requirements of the *Environmental Planning and Assessment Act 1979* (the Act), that is, those matters that are required by the Act to be considered when applying a condition of consent, have been considered. Where a condition of consent is applied in accordance with this Program, it is consistent with the Act.

Section 7.32 of the *Environmental Planning and Assessment Act 1979* (the Act) allows for the collection of contributions for affordable housing where a need for affordable housing is identified in a planning instrument and where:

(a) the consent authority is satisfied that the proposed development will or is likely to reduce the availability of affordable housing within the area, or
(b) the consent authority is satisfied that the proposed development will create a need for affordable housing within the area, or
(c) the proposed development is allowed only because of the initial zoning of a site, or the rezoning of a site, or
(d) the regulations so provide[2].

The City of Sydney is identified in a state environmental planning policy (SEPP) as an area where there is a need for affordable housing.

Provided below is the rational and justification for applying a contribution requirement in various land in the city.

## *Central Sydney*

Central Sydney is identified on the Locality and site identification map and zoned SP5 Metropolitan Centre (formerly B8) in the City's planning controls. All development in Central Sydney, that is not minor development, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

**All new development in Central Sydney will reduce the availability of affordable housing within the area.**

As jobs growth occurs in Central Sydney, a proportion of the new working population will form part of a very low to moderate income household. As competition for affordable housing options increases, the overall availability of affordable housing will decrease. Given the substantial shortfall of affordable housing options within the City, any decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

**All new development in Central Sydney will create a need for affordable housing within the area.**

Ensuring the long term sustainable growth of Central Sydney is essential for a strong NSW and national economy. Declining socio-economic diversity in the inner city associated with inadequate social and affordable housing supply has significant economic and social impacts which represent a risk to this growth.

As demonstrated above, rising land and property prices, driven by a range of factors including population growth, constrained land supply and Commonwealth fiscal policy, have resulted in declining housing affordability in Australian cities, in particular Sydney. This trend is coupled with inadequate new supply of social and affordable housing in the inner city, both

[2] Development must only satisfy one of these conditions for Council to be able to require a contribution.

of which are necessary to mitigate market affordability impacts in maintaining accessibility of inner city housing to socio-economically diverse communities.

In the City, there is a growing disconnect between affluent households able to afford private market housing and highly socio-economically disadvantaged households living in inner city public housing estates. Gentrification of inner city neighbourhoods has exacerbated relative inequality among those who can and cannot afford housing. The purchase and rental housing market is becoming virtually inaccessible to those on very low to moderate incomes. This issue also has a dimension of generational inequality, as younger people are increasingly priced out of the market.

There are also substantial economic impacts where affordable housing cannot be accessed close to employment.

As residential growth occurs in Central Sydney, demand for services in which low income workers are employed will increase. These services include childcare, medical services, retail, cleaning, and hospitality and so on. There is a need to ensure some affordable housing is available to accommodate people on low incomes working in these services.

Evidence suggests the loss of low to middle income households from inner Sydney will result in essential sectors in the Australian economy finding it increasingly difficult to fill employment vacancies and staff shifts, hampering business productivity and economic growth.

As the relative economic importance of Central Sydney to the national economy continues to increase, cumulatively all new development will continue to create an economic and social need for affordable housing.

## *Ultimo-Pyrmont*

To promote a socially diverse and sustainable community, it is crucial that affordable rental housing be provided so that very low to moderate income households can live in the area.

All development in Ultimo-Pyrmont is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

**Development in Ultimo-Pyrmont will reduce the availability of affordable housing within the area.**

The City West region of inner Sydney, comprising the suburbs of Pyrmont and Ultimo, was formally an industrial and port precinct that traditionally provided low-cost accommodation for people working in an around the area.

However, significant gentrification has occurred due to the urban renewal of the area, an accompanying investment in public infrastructure and a wider cultural shift towards inner-city living. As higher income households are attracted to the area, housing prices and rental costs are driven upwards, resulting in the reduction of rental stock availability for very low to moderate income households.

**Development in Ultimo-Pyrmont will create a need for affordable housing**

The planning controls in Ultimo-Pyrmont permit a range of commercial development to provide a variety of employment opportunities, including for lower paid occupations. The affordable housing provisions in Ultimo-Pyrmont reflect an expectation that people should be able to live and work within the same area.

New residents and workers in the area also generate a demand for services typically staffed by lower income earners, increasing the need for key workers such as cleaners, retail assistants, childcare workers and hospitality staff.

If affordable housing options are not provided in the area, the housing market will serve an increasingly smaller proportion of the population, narrowing the socio-economic diversity of Ultimo-Pyrmont and necessitating unsustainable travel behaviours for lower income workers.

**Development in Ultimo-Pyrmont is allowed only because the land was rezoned**

In the early 1990's a process of intense urban renewal was instigated with the rezoning of the area for high density residential development. The need to retain a proportion of affordable housing in the area was recognised at this time to ensure a socially diverse and sustainable community representative of all income groups.

The new planning provisions substantially affected and increased the development potential and land value of Ultimo-Pyrmont. This has been further impacted by the significant investment in infrastructure by the New South Wales and Commonwealth Governments to revitalise redevelop the area. All landowners have and will continue to benefit from this increase in land value.

The increased land value has an impact on the affordability of housing in Ultimo-Pyrmont, particularly for the traditional low and moderate income residents of the inner city, as higher value uses are found for the land.

## *Green Square*

The Green Square urban renewal area will provide housing for around 63,000 residents to 2036. The District plan and *A Metropolis of Three Cities – the Greater Sydney Region Plan* highlight the importance of creating communities that are mixed and cohesive, where there is a greater mix of social and private housing.

To promote a socially diverse and sustainable community, it is crucial that affordable rental housing be provided so that very low to moderate income households can live in the area.

All development in Green Square is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

**Development in Green Square will reduce the availability of affordable housing within the area.**

Green Square and its immediate surrounds have historically provided relatively cheap housing for inner-city residents.

However, the urban renewal of the area, the investment in public infrastructure and the wider cultural shift towards a preference for inner-city has resulted in the gentrification of Green

Square. This has placed, and will continue to place, pressure on housing prices and rental costs as high income households are attracted to the area, pushing up house values and reducing the rental stock available for very low to moderate income households.

The jobs growth associated with the urban renewal of Green Square is also reducing the availability of affordable housing in the area. While there has been a significant change in the nature of employment in the area since it’s rezoning in 1999, with a general trend towards higher value jobs, a number of lower paid jobs still locate in the area.

It is desirable that people employed in the area are able to find housing close to their place of employment. This will increase competition for the affordable housing options, decreasing the overall availability of affordable housing and increasing the cost of renting in these areas.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

**Development in Green Square will create a need for affordable housing**

More specifically for Green Square, the ongoing urban renewal of the area, and its wider gentrification, will continue to produce upward pressures on property values and place further pressure on purchase and private rental accommodation costs beyond the means of low to moderate income groups.

Without provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing in the area, so that housing will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in Green Square close to new employment opportunities.

The employment generated by the urban renewal of Green Square will also create a need for affordable housing. On completion, some of which will be for very low to moderate income earners who will seek affordable housing in the area.

Moreover, new residents and workers in the area will generate demand for services typically staffed by lower income earners, increasing the need for key workers such as cleaners, retail assistants, childcare workers and hospitality staff.

**Development in Green Square is allowed only because the land was rezoned**

In 1999 the majority of the Green Square urban renewal area was rezoned from industrial to mixed use. Substantial value was created on land at the time it was rezoned.

The affordable housing contribution requirement in Green Square was introduced when the land was rezoned. Therefore, any negative impact the contribution requirement might have had on the value of the land was more than mitigated by the increase in land value arising from the rezoning.

Over time land values have continued to increase in Green Square as the area has gentrified and has benefited from substantial investment in public infrastructure. This will continue to place upward pressure on the cost of housing and increase demand for affordable housing.

## *Southern Employment Lands*

The Southern Employment Lands will undergo substantial change over the next 20 years as it transitions from an area characterised by traditional manufacturing industries and low density employment to more diverse employment. The changes will result in an increase in the number of workers in the area, placing an increase in the demand for affordable housing.

All development in the Southern Employment Lands is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

**Development in the Southern Employment Lands will reduce the availability of affordable housing within the area**

The Southern Employment Lands are Sydney's oldest industrial areas. The 2015 rezoning of the area will result in more jobs that are typically higher in value than those that have traditionally located in the area.

This will place pressure on housing prices and rental costs in adjoining area as high income households are attracted to the area to live near where they work, pushing up underlying land values and reducing the rental stock available for very low to moderate income households.

It is desirable that people employed in the area are able to find affordable housing close to their place of employment. This will increase competition for the affordable housing in the area, decreasing the overall availability of affordable housing and increasing the cost of rents.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

**Development in the Southern Employment Lands will create a need for affordable housing within the area**

Redevelopment in and around the Southern Employment Lands will continue to place upward pressure on property values and on purchase and private rental accommodation costs in the area beyond the means of very low and moderate income households.

Without the provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing products in the area, so that housing will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing ~~in~~ close to new employment opportunities.

**Development in the Southern Employment Lands is allowed only because the land was rezoned**

In 2015, much of the land in the Southern Employment Lands was rezoned. Previously the Southern Employment Lands were zoned for industrial purposes, generally permitting only uses that are industrial in nature, the new zones enabled a more flexible approach to employment generating uses by permitting a wider range of activities, such as commercial offices, retail and so on.

The affordable housing contribution requirement in the Southern Employment Lands was introduced when the land was rezoned. Any negative impact the contribution requirement might have had on the value of the land was therefore mitigated by the increase in land value arising from the rezoning.

Over time land values will continue to increase in the Southern Employment Lands, placing upward pressure on the cost of housing and increasing demand for affordable housing in the surrounding area.

## *Residual land*

As the popularity of inner city living continues grow and with increasing employment opportunities across the city, the cost of housing will continue to climb, making it increasingly difficult for low income households to live in these areas.

On residual land, development for new floor area, or for a more intense use of existing floor area, is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

**Development in the residual lands will reduce the availability of affordable housing within the area**

Investment in public infrastructure, increased amenity and the wider cultural shift towards a preference for inner-city has resulted in the gentrification in the LGA. This has placed, and will continue to place, pressure on housing prices and rents. Likewise, the increase in the number of jobs in the LGA, many offering relatively high salaries, increases the demand for housing and pushes up housing costs.

As the desirability of living and working in the local area increases, the demand for an ever-shrinking supply of lower cost housing increases, in-turn decreasing the overall availability of lower cost housing and pushing lower income households out to more affordable areas.

Given the shortfall of affordable housing options currently available in the city, any further decrease in the availability of affordable housing gives rise to an increased need for affordable housing.

**Development in the residual lands will create a need for affordable housing within the area**

The projected housing growth in the residual lands is shown at Figure 6. As at 2017, it was anticipated that approximately 35% of projected dwellings growth in the city will be in the residual lands.

Employment is also projected to grow in the LGA. The draft district plan projects 817,000 additional jobs across Greater Sydney, a large portion of which will be in the City's strategic centres of the CBD and Green Square and Mascot where a respective 235,000 and 25,500 jobs are projected to 2036.

Job growth in the LGA and new development in the city's residual areas will continue to place upward pressure on housing prices and rents beyond the means of very low and moderate income households.

Without provision of more affordable forms of housing, the market can be expected to continue to produce more expensive housing in the area, so that it will only be affordable to households on relatively high incomes. Without the supply of more affordable rental dwellings, existing lower income households will continue to be forced out of the area, and new lower income households may be prevented from finding housing in the LGA close to new employment opportunities.

## *Planning Proposal land*

Planning Proposal land is land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. Planning Proposal land is identified in LEPs.

On Planning Proposal land, all new residential floor area is subject to the requirement to contribute to affordable housing under Section 7.32 of the Act because:

**Development in Planning Proposal land will reduce the availability of affordable housing within the area**

The cost of land and fragmentation of ownership patterns are key impediments to development and renewal in existing urban areas. Current buildings that are functional and provide good economic utility can in many cases be too valuable to consolidate for redevelopment. Therefore, developers tend to target buildings that are aging and nearing the end of their economic lifecycle. As such, planning proposals in the City, that generally seek increased height or floor area, are associated with former industrial or commercial sites and older, lower quality houses that are then replaced by higher density residential uses.

Where redevelopment of a site replaces older residential stock with a new residential flat building, there is typically a direct loss of lower cost housing that is more likely to be within the means of lower income households.

Where renewal of a site replaces non-residential buildings at the end of their economic life, amenity increases, attracting more investment and higher income households to move into the area. This pushes up house values, placing further demand for rental properties and reduces the available stock of low cost housing.

Planning proposals seeking increased height or floor area associated with the renewal of commercial sites in Central Sydney are underpinned by a post-Covid demand for high-quality, high-amenity, contemporary office space. They attract investment and contribute to urban renewal in the LGA, placing continued upward pressure on housing prices and rents beyond the means of very low, low and moderate income households.

**Development on Planning Proposal land will create a need for affordable housing within the area**

Changes to planning controls which permit higher order land uses and increased densities will place further pressure on purchase and private rental accommodation costs beyond the means of very low to moderate income households. Without provision of more affordable housing in the area housing will only be affordable to households on relatively high incomes. This will force existing low income households to move out of the area.

Furthermore, the overall growth in jobs generally across the LGA, coupled with ~~the~~ increased employment opportunities created by planning proposals – both as a result of commercial (re)development in Central Sydney and ~~that include~~ mixed use development throughout the LGA that includes ~~with~~ retail tenancies on the street level~~,~~ – will increase the demand for unskilled and semi-skilled workers employed in essential services of retail, hospitality and cleaning and who are difficult to recruit due to increasing pressure on housing costs in the area.

**Development is allowed only because the land was rezoned**

Planning Proposal land is land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. The contribution requirement will only be applied to the new development capacity that would not have been allowed without the changes to the planning controls.

This gives effect to the intent of the District Plan to provide affordable housing where there is an increase in development capacity on land, where need for affordable housing is identified and where development viability can be maintained.

The affordable housing contribution requirement will be introduced when the land is identified as Planning Proposal land in LEPs. Therefore, any negative impact the contribution requirement might have on the value of the land will be mitigated by the increase development potential brought about by the change to the planning controls.

# 5. Outcomes

~~The City's planning controls are estimated to deliver up to 1,950 additional affordable dwellings between 2016 to 2036. However, this estimate~~ As at June 2024, the City's affordable housing contribution requirements have delivered 873 affordable dwellings. The projected outcomes of this Program are estimated to exceed 2,000 further affordable dwellings to 2036 (from June 2024). Notwithstanding this estimate, the outcomes of this Program will be heavily impacted by other matters outside of the City's control, including, but not limited to:

- the property market i.e. the amount of development that occurs. This is highly influenced by the market conditions of the day;
- the ability of community housing providers to ~~successfully~~ leverage contribution funds and existing property portfolios;
- state government policy directions; and

- Federal and NSW Government investment in affordable housing (which may accelerate outcomes under this scheme when available funds are combined with levy funds).

# Appendix B – Contribution where land is rezoned

Where land is the subject of a planning proposal to increase its development capacity, an additional contribution for affordable housing will be applied to the new floor area.

This appendix is to provide guidance on how the affordable housing contribution requirement is established and applied.

## 1. How is the additional contribution requirement secured?

The additional affordable housing contribution requirement will be secured in the process of rezoning the land. The requirement may be set out in:

- an LEP, for example, the land may be identified as "planning proposal land" on Schedule 6C of the Sydney LEP, with the additional contribution requirement being set out in the schedule; or
- a voluntary planning agreement, for example, the landowner may offer to enter into a voluntary planning agreement with the City to build and dedicate affordable housing; or
- some other environmental planning instrument.

## 2. How is the additional contribution requirement to be satisfied?

Where the proposed development meets the criteria set out at Section 2.3.1 of this Program, Council will generally require the additional contribution be satisfied by the dedication of built dwellings.

Where the development does not meet the criteria set out at Section 2.3.1 of this Program, Council will require the additional contribution be satisfied by making a monetary contribution in accordance with Section 2 of this Program.

## 3. Contribution requirement

Where land is rezoned to increase its development capacity, an affordable housing contribution requirement will be payable on the new gross floor area, as shown below:

**Table A1:** Additional contribution requirement on new floor area

| Affordable housing contributions precinct | Contribution requirement |
|---|---|
| Central precinct | 20% residential gross floor area<br>2% non-residential gross floor area |
| West precinct | 20% residential gross floor area |
| South precinct | 20% residential gross floor area |
| East precinct | 20% residential gross floor area |

Note: Affordable housing contribution precincts are shown at Figure 1 of this Program.

The contribution requirement shown at Table A1 is inclusive of any other affordable housing contribution requirement that applies to the land. For example, the 20 per cent rate that applies to all new residential floor area includes 17 per cent for new residential floor area on planning proposal land, plus 3 per cent that applies under Clause 7.13 of Sydney LEP 2012. Where no other contribution requirement applies, the full 20 percent is applied.

In the west, south and east precincts, the contribution requirement applies to new floor area that has the potential to be used for a residential purpose, that is, the residential contribution requirement will be applied to any additional floor area achieved on land where residential uses are permitted, unless the whole of that site is restricted in a planning instrument to a non-residential purpose only.

In Central precinct, the contribution requirement will be applied using a proportional approach. That is, where there is a requirement in a planning instrument that restricts a proportion of the floor area to a non-residential purpose, then the non-residential contribution requirement will be applied to that same proportion of any new development capacity, and the residential contribution requirement to the remainder. For example, where a site is required by a planning instrument to provide 50% of the floor area in the building as non-residential development, then the non-residential contribution requirement of 2% would apply to 50% of the new floor area and residential contribution requirement of 20% would apply to the other 50% of new floor area.

**Example**

A site in Central precinct is currently subject to planning controls that allow 70,000sqm of non-residential floor area. This is subject to the requirements of Clause 7.13 of the Sydney LEP that requires an affordable housing contribution of 1% of non-residential GFA.

A rezoning of the site facilitates an additional 40,000sqm of non-residential floor area. No residential development is permitted on the site. The additional affordable housing contribution requirement is established in the Sydney LEP.

Assuming the site is developed utilising the whole of the available gross floor area, the following affordable housing contribution is required:

(1% x 70,000sqm) + (2% x 40,000sqm) = 1,500sqm * $12,293.84 = $18.4m equivalent monetary contribution.

The contribution requirement must be satisfied by making a monetary contribution because the site is a commercial site.

Note: for the purpose of this example, the starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example

**Example**

A site in Central precinct is currently subject to planning controls that allow 25,000sqm residential gross floor area and 25,000sqm non-residential gross floor area. This is subject to the requirements of Clause 7.13 of the Sydney LEP that requires an affordable housing contribution of 1% of non-residential GFA and 3% of residential GFA.

A rezoning of the site facilitates an additional 30,000sqm gross floor area. The additional affordable housing contribution requirement is established in the Sydney LEP, that also maintains a requirement that no more than 50% of the GFA on the site can be used for a residential purpose.

Assuming the site is developed utilising the whole of the available gross floor area and that 50% is residential and 50% is non-residential, the following affordable housing contribution is required:

(1% x 25,000sqm) + (3% x 25,000sqm) + (2% x 15,000sqm) + (20% x 15,000sqm) = 4,300sqm of dedicated affordable housing provided on site (or $52.9m equivalent monetary contribution).

Note: for the purpose of this example, the starting monetary contribution rate, being the rate that will be applied for 2 years from the approval of this Program, has been assumed for the purpose of this example

## 4. Where other public benefits are offered

The additional contribution requirement may be waived or reduced by Council's sole discretion, where a developer has made an offer to enter into a planning agreement to provide other agreed public benefits of a commensurate scale.

## 5. How contributions are to be used

Monetary contributions and dedicated dwellings are to be allocated in accordance with any requirements set out in any distribution plan adopted by Council.

# ~~Appendix B – Planning Proposal land~~

~~Where land is the subject of a planning proposal to change the planning controls that apply to the site, it may be identified on a schedule in an LEP, or another EPI, as being required to make an additional contribution for affordable housing.~~

~~This appendix is to provide guidance on how the contribution rate is established.~~

## ~~6. Where a planning proposal has increased Floor Space Ratio~~

~~Where there is a planning proposal to increase the Floor Space Ratio (FSR) of a site or sites, an affordable housing contribution requirement will be payable on the new floor area.~~

~~The affordable housing contribution rate that applies to the land will be identified on a schedule in an LEP or other EPI.~~

~~The 'listing' of Planning Proposal land on the LEP schedule, or in another EPI, occurs at the same time that the changes to the planning controls are 'made', that is, the LEP schedule / EPI will be amended when the amendment to the LEP / EPI to increase the FSR comes into effect.~~

~~On Planning Proposal land the contribution rate applied to new floor area achieved in the planning proposal to increase FSR is:~~

| ~~Precinct*~~ | ~~Contribution rate**~~ |
|---|---|
| ~~Central Sydney precinct~~ | ~~13% subject to site specific viability testing~~ |
| ~~West precinct~~ | ~~12% ***~~ |
| ~~South precinct~~ | ~~12% ***~~ |
| ~~East precinct~~ | ~~21% ***~~ |

~~* Note: The West, South and East precincts align with those shown in the City's development contribution plan 2015. The Central Sydney precinct aligns with those shown in Central Sydney Development Contributions Plan 2020. A map of precinct boundaries is available on the City's website~~

~~** The contribution applies to new floor area that may be used for a residential purpose, that is, the contribution requirement will be applied to any additional floor area achieved on land zoned residential purposes, unless the whole of that site is restricted to a non-residential purpose.~~

~~*** Rates incorporate any requirement in an LEP for a 3 per cent contribution. For example, the 12 per cent rate includes 9 per cent for new residential floor area on planning proposal land, plus 3 percent. Where no other contribution requirement applies, the full 12 percent may be applied.~~

~~The above rates will be reviewed on an as needs basis and any changes will be published on the City's website.~~

~~The equivalent monetary contribution amount is provided in Section 2 of this Program.~~

| |
|---|
| **~~Explanatory note~~**<br><br>*~~Planning Proposal land contribution rates~~*<br><br>~~Planning Proposal land contribution rates have been tested by appropriately qualified land economics experts to ensure development viability is not negatively impacted. Testing takes into consideration all of the contribution requirements that already apply to the land. including Section 7.11 contributions, Community Infrastructure floor area, and affordable housing contributions payable under LEPs.~~<br><br>~~Contribution rates to be applied to new floor area on Planning Proposal land will be reviewed and updated as needed~~<br><br>~~While the contribution rates apply to proposals for new residential floor area, this does not preclude the City from working with proponents to identify an appropriate contribution rate that may be applied where a planning proposal results in an increase in non-residential floor area.~~ |

# ~~7. Where other public benefits are offered~~

~~Where it is a superior outcome, and where a developer has made an offer to enter into a planning agreement to provide affordable housing or other public benefit, a Planning Proposal land contribution may not be applied.~~

# Appendix C - Standards for dedicated affordable housing dwellings

Where an affordable housing contribution requirement is to be satisfied by the dedication of built dwellings, the dwellings must be suitable to be used for affordable housing in the long term.

This Appendix sets out guiding standards for dedicated dwellings.

*Long-term management requirements*

Required affordable rental dwellings are to be owned and managed in accordance with the Affordable Housing Principles of this Program.

*Strata requirements*

Where the strata or management costs of development would likely be high and render the management of the property for affordable housing unsustainable, the affordable housing dwellings to be dedicated are to be subject to alternate cost arrangements to assist in the management of strata or management costs to the receiving CHP.

Where possible, provide a separate entrance to a separate stratum of affordable housing dwellings.

*Dwelling mix requirements*

The mix of the proposed affordable housing dwellings (i.e. the number of bedrooms) is to be appropriate to the needs of the receiving CHP.

*Parking and servicing*

Parking and general servicing requirements are to be appropriate for the needs of the receiving CHP.

*External design*

The external design of the proposed affordable housing dwellings is to be equivalent in design quality to other dwellings in the development. It must include external elements, such as balconies or courtyards, that are generally consistent with those provided for other dwellings on the site.

*Design for reduced living costs*

Proposed affordable housing dwellings are to:

- where possible, maximise passive ventilation and cooling methods to avoid air-conditioning costs;
- where possible, incorporate solar energy connections and rainwater tanks;
- be excluded from embedded power networks, if the embedded network does not allow tenants to freely choose the service provider;
- include ceiling fans and window blinds for thermal comfort; and

- include appliances with high efficiency standards.

*Design for reduced cyclical management costs*

Construction design and material choices are to be agreed at the design stage to address the longer-term management and maintenance costs of the proposed affordable housing dwellings, including:

- inclusion of robust, durable internal and external finishes; and
- use of low maintenance and easily replaceable materials.

Note: While it is noted the above guiding standards have been prepared to inform the standards of dedicated affordable housing dwellings required by the City under Section 7.32 of the Act, the standards may also be relevant in the delivery of affordable housing achieved under different mechanisms.

# ~~Appendix C – Process for dedicating dwellings~~

~~This appendix provides guidance on the process for satisfying an affordable housing contribution requirement by dedicating affordable housing dwellings.~~

~~Section 2 of this Program provides that where the dedication of affordable housing dwellings is proposed, then the location, size and quality of dwellings must be to the satisfaction of the City and the receiving CHP.~~

## ~~1. Consult with Recommended and Eligible providers~~

~~Where a developer intends to provide an in-kind affordable housing contribution by dedicating finished dwellings to a Recommended CHP, the developer must first consult with the provider to establish if they are willing to receive the dedicated dwellings.~~

~~In circumstances where no Recommended CHP agrees to accept the dedication, and confirmation of that position is provided in writing, the developer may consult with other eligible providers (Tier 1 or Tier 2) to establish an agreement for a community housing provider to accept the dedication of finished affordable housing dwellings.~~

~~The purpose of the consultation is to canvass potential issues and reach in-principle agreement about how the affordable housing dwelling/s are to be provided by the developer to the CHP. Key issues for discussion include, but are not limited to:~~

- ~~the requirements of the community housing provider in regard to the finished dwelling, for example fit out requirements, preferred layouts, location of the dwelling in the development, and so on;~~
- ~~the community housing provider is to have a full understanding of the likely strata requirements that will be in place once the development is complete;~~
- ~~contractual arrangements with regards to the dedication of the dwellings, including discussion about what might be cause for terminating the agreement.~~

## ~~2. Development application~~

~~The development application to the City must:~~

- ~~state the amount (the quantum of total floor area) of affordable housing to be dedicated, and any residual amount for which a monetary contribution is required to be paid;~~
- ~~clearly identify on the plans the affordable rental dwellings proposed to be dedicated, noting the City must be satisfied that dwellings receive adequate amenity relative to the rest of the development i.e. it is not acceptable that all of the affordable housing in the development have the lowest amenity;~~
- ~~demonstrate the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program;~~
- ~~provide details of the agreement that has been reached between the developer and the community housing provider about the dedication of the dwellings or alternative arrangements in a relevant planning agreement.~~
- ~~if it is not a Recommended CHP that will receive the contribution, evidence that all Recommended CHPs have declined to accept the dedication of the dwellings is required; and~~
- ~~evidence that the receiving CHP has agreed to accept the dwellings, the terms of the agreement, and the requirements of the Program are understood, including the requirement for in perpetuity management of the dwellings for affordable housing to be rented to very low to moderate income households for no more than 30% of their income.~~

## ~~3. Assessment~~

~~The City will:~~

- ~~undertake assessment of the appropriateness of the dwellings proposed for dedication, with reference to Section 2 of this Program and any comment provided by the Recommended CHP, and~~
- ~~if necessary, where the proposed dwellings are not appropriate for the purpose of affordable housing, discuss with the developer amendments to improve the dwellings, or identify preferable dwellings, or instead require a monetary contribution.~~

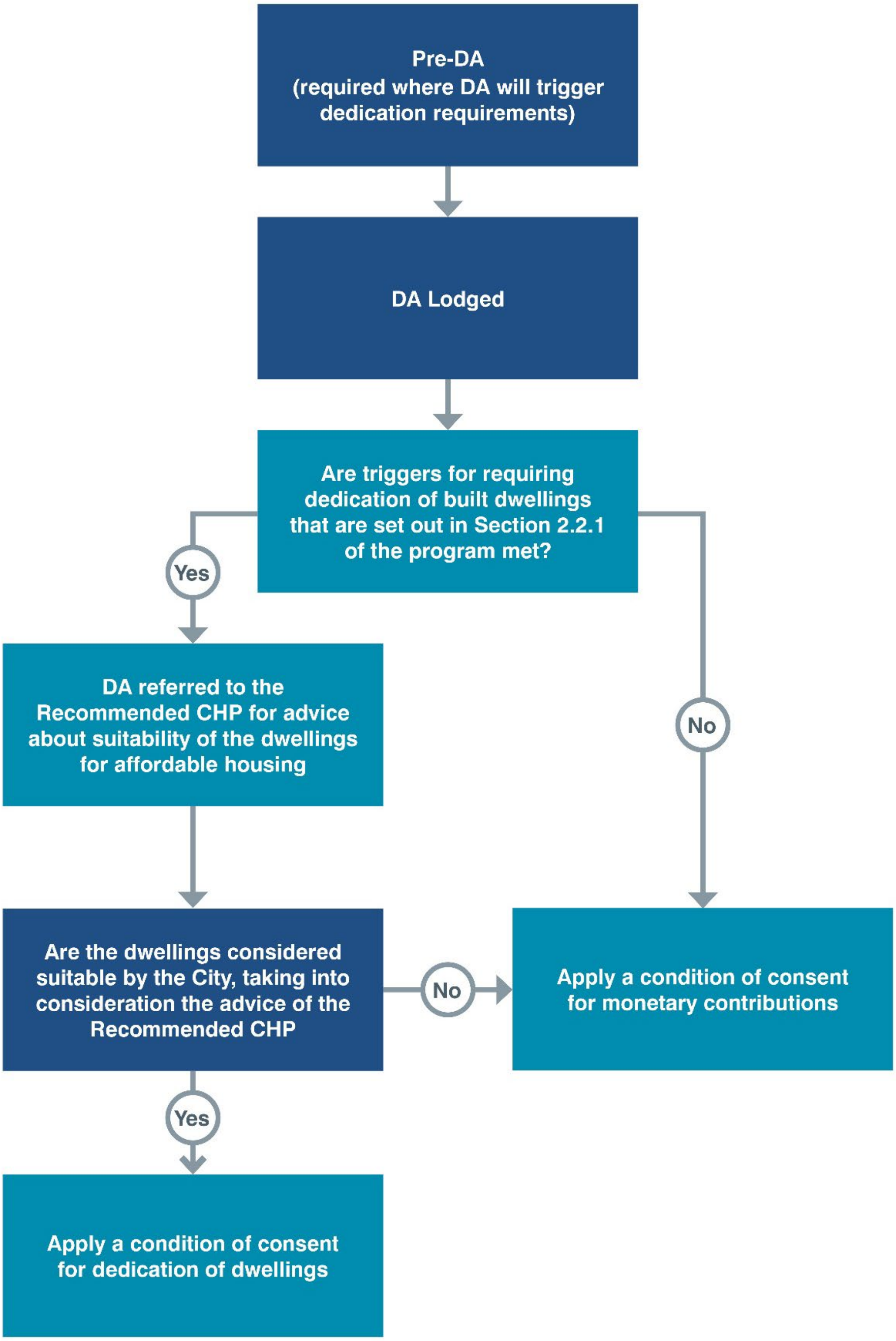
## ~~4. Securing the dwellings~~

~~Where the dwellings proposed for dedication are supported, a condition of consent requiring dedication of the affordable housing dwelling(s) will be imposed by the consent authority.~~

~~Prior to transferring the affordable housing dwelling(s) to a Recommended CHP, the City will register on the title a covenant ensuring the affordable housing dwellings are:~~

- ~~owned and managed by a CHP in accordance with the Program, and~~
- ~~rented to very low to moderate income earners for no more than 30% of gross household income.~~

# Appendix D – Simplified development application process



# Attachment C

**Review of Affordable Housing Contribution Rates – Atlas Urban Economics - October 2024**

# City of Sydney Affordable Housing Contributions

## Review of Contribution Rates

City of Sydney

October 2024

# Document Control

Liability limited by a scheme approved under Professional Standards Legislation

All care and diligence has been exercised in the preparation of this report. Forecasts or projections developed as part of the analysis are based on adopted assumptions and can be affected by unforeseen variables. Consequently, Atlas Urban Economics Pty Ltd does not warrant that a particular outcome will result and accepts no responsibility for any loss or damage that may be suffered as a result of reliance on this information

# Executive Summary

## BACKGROUND

The City of Sydney Council (**the City**) has a long history of procuring affordable housing outcomes through development and the planning system. Historically, affordable housing contributions were only required at Ultimo/ Pyrmont and later in the Green Square Urban Renewal Area. The City of Sydney Affordable Housing Program has in recent years been expanded. Effective 1 July 2021, inclusionary zoning contributions are required across the LGA with additional contributions required where there is a rezoning.

The Sydney Local Environmental Plan (2012) (**LEP**) sets out Affordable Housing contributions in clause 7.13 (LGA-wide requirement), 7.13B (site-specific requirement) and 6.70 (Blackwattle Bay requirement). The percentage rates in the LEP are applied to a dollar amount that is set out in the City of Sydney Affordable Housing Program (**the Program**) to calculate an equivalent cash amount required. The equivalent dollar amount per square metre of Total Floor Area (TFA) is $11,176 (1 March 2024 to 28 February 2025) and is based on the Sydney LGA median strata dwelling price.

The Program also provides the background, requirements and operational detail for the Affordable Housing contribution provisions in the LEP that apply in the Sydney local government area (**LGA**).

**Table ES-1** summarises the percentage contribution rates that apply in clause 7.13 and 7.13B respectively.

**Table ES-1: Percentage (%) Contribution Rates**

| Land Use | Clause 7.13 Contributions (broad-based)* | Clause 7.13B Contributions (Planning Proposal Land) |
|---|---|---|
| Residential | 3% x residential TFA | Rate^ applies to new floor area and varies by precinct:<br>• Central Sydney - 13%<br>• West and South precincts - 12%<br>• East precinct - 21% |
| Non-residential | 1% x non-residential TFA | Not applicable |

*applies to all floor area in the development, except in Central Sydney and on Residual Land where it applies to new or more intensely used floor area
^inclusive of broad-based contribution requirements under clause 7.13
Source: City of Sydney (2023)

To ensure that contributions received under the Program deliver on the intended Affordable Housing outcomes, the City seeks to understand if the current contribution settings are appropriate, or if alternate rate settings should be considered.

Atlas Economics (**Atlas**) is engaged by the City to carry out a review of the Affordable Housing Contribution rates (**the Study**). The Study considers the viability of various rates in the context of development feasibility and supply.

## PURPOSE AND APPROACH

The overarching objective of the Study is to identify if current rates are appropriate, if alternate rates are required and the implications that result from the implementation of alternate rates. The Study Area is the Sydney LGA which is comprised of various contribution precincts, including:

- Central Sydney (**Central**): Sydney CBD.
- East precinct (**East**): Surry Hills, Darlinghurst, Potts Point, Elizabeth Bay, Woolloomooloo and Rushcutters Bay.
- West precinct (**West**): Pyrmont, Glebe, Forest Lodge, Newtown and Enmore.
- South precinct (**South**): Alexandria, Beaconsfield, Redfern, Waterloo, Zetland, Eveleigh, Rosebery and Erskineville.

To fulfil the requirements of the brief the Study undertakes the following:

- Examines the cost of procuring/ delivering on-site housing against the equivalent monetary contribution that would be received under the current rates and if it delivers on the Program's objectives.
- Tests alternate rates and their impact on development feasibility.
- Considers if alternate rates would result in adverse impact to development supply.

# CURRENT v ALTERNATE CONTRIBUTION RATES

### Deliverability of Housing Objectives

The Study observes a residential price hierarchy:

- The pricing of new stock can achieve a premium of 30% over existing (old) stock.
- Residential pricing in the East and Central precincts is much higher as luxury product is increasingly delivered. By and large, residential product in the South and West precincts is positioned at the middle end of the market.

The price spread for existing median priced strata units is within a relatively 'tight' range - $8,000/sqm GFA to $14,000/sqm GFA. The spread for new residential units is however much wider - $12,500/sqm GFA to $45,000/sqm GFA due to the increasing prevalence of luxury product in some markets (in particular the East and Central precincts).

The current dollar rate ($11,176/sqm of TFA) is based on the Sydney LGA median strata unit price. It enables purchase of median priced (older) residential strata stock in the LGA, but not new residential units. This difficulty is greatest in the East and Central precincts where the current rate is equivalent to a fraction (circa 25%) of new residential prices.

Additionally, the current flat rate results in a disproportionate burden on development. 'Lower value' areas contribute a greater proportion of revenue compared to 'higher value' areas in the Central and East precincts.

There is accordingly a case for the City to consider alternate dollar rates that would be more aligned to the delivery of new housing outcomes across the various precincts.

### Alternate Rate Geography Options

The Study considered alternate dollar rates that could be implemented according to the following geographies:

- An LGA-wide dollar rate to reflect the 'best fit' of new residential unit prices.
- Individual dollar rates to apply in various suburbs/ postcodes within the LGA.
- Dollar rates to apply in each of the four contribution precincts (Central, East, West, South).

While dollar rates developed at the suburb/ postcode level would represent a precise alignment between the equivalent dollar contribution and the intent of the Program, the approach lacks simplicity and poses a heavier administrative burden.

At the other end of the spectrum, a single LGA-wide rate would be simple to administer, but equally, similar to the present approach there would still be challenges for the delivery of housing outcomes in high-cost areas in the East and Central precincts. There would additionally be a disproportionate burden on developments in lower priced areas.

The Study finds a precinct-based approach to developing the dollar rates to be preferable, balancing simplicity and precision.

### Clause 7.13 Contributions

The Study recommends amending the dollar rate to a precinct rate that reflects the value of new residential units. There would be no change to the percentage contribution rate in clause 7.13 - 1% (non-residential) and 3% (residential).

The Study additionally recommends specifying dollar rates based on $/sqm GFA (not $/sqm TFA). It would simplify the development assessment process where GFA is a lodged metric of development.

The move away from a flat dollar rate to precinct dollar rates is intended to reflect the pricing hierarchy. The approach seeks to achieve an equitable outcome - that regardless of location, developments make the same proportional contribution (%).

### Clause 7.13B Contributions

The Study recommends amending the dollar rate to the same precinct rates as clause s7.13 as well as simplifying the multiple percentage contribution rates in the Program to a uniform 20% residential rate for all precincts.

A uniform percentage rate with the equivalent monetary contribution differentiated by a precinct dollar rate to reflect the residential pricing hierarchy across the LGA seeks to achieve an equitable outcome across the LGA. That is, regardless of location, Planning Proposal land makes the same proportion (%) of Affordable Housing contributions per additional GFA enabled by a planning proposal.

In the commercial office sector, structural trends continue to change how users perceive and demand space. In a post-COVID environment, businesses and employees have much higher expectations of their workplaces, generally seeking high-amenity and high-quality spaces. This underpins demand for contemporary space and an opportunity for commercial space in Central Sydney enabled by a planning proposal to contribute to Affordable Housing.

## POLICY RECOMMENDATIONS

### Equivalent Dollar Rates by Gross Floor Area (sqm)

The Study recommends transitioning away from dollar rates applied to TFA to dollar rates applied to GFA. This is because:

- It is easier for the market to understand (given that apartments are generally traded on $/sqm internal rates). Internal rates could be converted to $/sqm GFA by adopting a generic efficiency factor.
- It would simplify the development assessment process where GFA is a lodged metric of development.

A contribution based on GFA rates does not remove the requirement for ancillary areas (in an in-kind contribution). If a 'standard' apartment has a balcony, car space, storage area, etc., these areas should form part of the in-kind contribution.

### Precinct-based Rates and Phasing-in

The Study recommends precinct-based rates and a phasing-in over four years from adoption by Council of the proposed changes to the LEP and Program. By this time the proposed changes would have been publicly exhibited, Council would have made its decision and the market would have received clear notice of the intended changes to the dollar rates.

**Table ES-2: Recommended Implementation of New Rates**

| Contribution | % Rate | Equivalent Dollar Rate ($/sqm GFA)^ | Phasing-in (from Council adoption)^ |
|---|---|---|---|
| Clause 7.13* | • 1% non-residential (no change)<br>• 3% residential (no change) | • Central - $17,500<br>• East - $20,000<br>• West - $15,000<br>• South - $12,500 | Start Year 1 and 2 - 0%<br>Start Year 3 and 4 - 50%<br>Start Year 5 - 100% |
| Clause 7.13B** | • 20% residential (all precincts)<br>• 2% non-residential (Central precinct only) | | |

*applicable on total GFA except in Central Sydney and Residual Land where the % requirement is applied to new and more intensely used floor area

**applicable on new/ additional GFA which is achieved/ enabled by a planning proposal

^indexed annually in accordance with the method of indexation set out in the City of Sydney Affordable Housing Program

^^full implementation of Affordable Housing rates in 4 years (after the formal exhibition and adoption by Council of changes)

Source: Atlas

**Table ES-3** illustrates the transition from current TFA rates to alternate GFA rates over a four-year period.

The calculations are based on the current dollar rates (column a) which are converted to an equivalent GFA rate (column b). The eventual rates would be based off the prevailing 'current' rates when the LEP is made.

**Table ES-3: Example Transition of Equivalent Dollar Rates (from 1 March 2024 rates)**

| Precinct | Current Rates (1 Mar 24 to 28 Feb 25) | | Alternate Rates ($/sqm GFA) | |
|---|---|---|---|---|
| | (a) | (b) = (a x 1.1) | End of Year 2<br>(c) = [b + ((d – b) x 50%)] | End of Year 4*<br>(d) |
| Central | $11,176 | $12,294 | $14,897 | $17,500 |
| East | $11,176 | $12,294 | $16,147 | $20,000 |
| West | $11,176 | $12,294 | $13,647 | $15,000 |
| South | $11,176 | $12,294 | $12,397 | $12,500 |

*the recommended rates (in $2024 terms) are not indexed to the year of implementation

The Study is aware of the City's desire to encourage and enable BtR housing and co-living developments as asset classes to establish. While the implementation of new Affordable Housing rates is introduced over several years, a moratorium for BtR and co-living could be considered wherein the current rates still apply during the implementation period.

## IMPACT ON DEVELOPMENT FEASIBILITY AND SUPPLY

The Study acknowledges that a number of headwinds currently make it very challenging for development to be feasible. This is a result of the cumulative influence of high existing-use values (and therefore the cost to consolidate a development site), elevated construction costs and relatively soft end sale values of completed product.

Higher contributions are unlikely to be tolerated by many developments today. As the economic environment stabilises, the phased introduction of Affordable Housing contributions would give development markets the opportunity to adjust.

### Engine Room of Growth

The impact of any new development contribution including alternate Affordable Housing contributions on development feasibility is particularly relevant where the impact is substantial, therefore presenting an impact on future supply. The issue of impact on feasibility is therefore critical in areas planned for large scale development supply.

Dwelling projections indicate the Sydney LGA could accommodate more than 40,000 additional dwellings by 2041. The South precinct is the engine room of growth and is expected to account for the largest share of new housing at 45%. This is followed by the East precinct at ~25% and the Central and West precincts at ~15% each.

The Study understands that the majority of development supply is from development applications (rather than planning proposals). The rate settings of clause 7.13 contributions are therefore critical. In contrast, planning proposals are in and of themselves risky. Proponents would be aware that amendments to planning controls sought are not a given.

### Tolerance to Alternate Contribution Rates

The Study tests a worst-case scenario - where land is purchased at a price that does not reflect the higher obligations of the contribution rates. In those circumstances, the testing shows that a gradual phasing-in over four years allows for real revenue growth to offset the impact to feasibility.

In circumstances where the market has advanced notice and due diligence and site negotiations result in land being purchased at a price that is reflective of the alternate rates, development feasibility can be preserved.

If the cost of land is given the opportunity to adjust, i.e. a lower price is paid for land, the combination of the lower cost of land, gradual introduction ***and*** real revenue growth completely offset any impact. Even if the price paid for land does not account for the alternate rates, the combination of phasing-in ***and*** real revenue growth generally offset the impact.

The contribution impact testing makes the following critical observations:

- The phasing-in of the alternate Clause 7.13 precinct rates ($ rates) at end of Year 2 at 50% results in a relatively minor impact on feasibility. By full implementation (end of Year 4), natural market growth offsets any impact.
- The phasing-in of the alternate Clause 7.13B precinct rates ($ rates and % rates) at end of Year 2 at 50% results in a relatively minor impact on feasibility. By full implementation (end of Year 4), any impact is offset.

With notice, developers have the opportunity to pay a price for land that reflects the various fees and charges that are payable. The rationale for gradual implementation is so that land values (and landowner expectations) adjust gradually.

### Contributions In-kind (Completed Dwellings)

The implementation of new Affordable Housing rates would make the contribution rates more equivalent to in-kind contributions, potentially leading to more contribution of completed dwellings. Depending on the size of the development, the contribution of dwellings could be nominal (one or two dwellings).

While the contribution (dedication of dwellings) would be 'quick' (i.e. delivered alongside development), the Study recommends the City consult extensively with CHPs to understand their operational requirements and appetite to receive strata-titled dwellings that are dispersed across the LGA and that could include luxury product. This could lead to further detail provided in the Program about the acceptability of in-kind contributions.

# Table of Contents



**Schedules**

# Terms and Abbreviations

## Terms

| | |
|---|---|
| Build-to-rent housing | Build-to-rent housing is large scale, purpose-built rental housing that is held in single ownership and professionally managed. |
| Co-living housing | Co-living housing is a compact form of rental accommodation where communal facilities and shared spaces are provided for within a development. |
| New floor area | The additional GFA achieved by a planning proposal on land zoned for residential purposes. If the whole of the site is restricted to a non-residential purpose, refers to the total GFA. |
| Planning Proposal land | Land that has been the subject of a planning proposal to change the planning controls that apply to the site to increase development capacity. Planning Proposal land is identified in the Sydney Local Environmental Plan 2012 or other environmental planning instrument. |
| Residual land | Land in the LGA other than in Central Sydney, Ultimo/ Pyrmont, Green Square Urban Renewal Area and Southern Employment Lands. |
| Study Area | Sydney LGA |

## Abbreviations

| | |
|---|---|
| BtR | Build-to-rent housing |
| CHP | Community Housing Provider |
| DCJ | Department of Communities and Justice |
| EP&A Act | Environmental Planning and Assessment Act 1979 |
| EPI | Environmental planning instrument |
| GFA | Gross floor area - which is the sum of the floor area of each floor of a building measured from the internal face of external walls, or from the internal face of walls separating the building from any other building, measured at a height of 1.4 metres above the floor, and includes mezzanine areas, habitable rooms in a basement or attic and any shop, auditorium, cinema, and the like in a basement or attic. GFA excludes *inter alia*, terraces and balconies with outer walls less than 1.4 metres high. |
| Housing SEPP | State Environmental Planning Policy (Housing) 2021 |
| HPC | Housing and Productivity contributions |
| LAHC | Land and Housing Corporation |
| LEP | Sydney Local Environmental Plan 2012 |
| LGA | Local government area |
| NSA | Net saleable area |
| RFB | Residential flat building |
| SEPP | State Environmental Planning Policy |
| TFA | Total floor area - which is the total area of each floor of a building within the outer face to the external walls and includes balconies |
| The Program | The City of Sydney Affordable Housing Program |

# 1. Introduction

## 1.1 Background

The City of Sydney Council (**the City**) has a long history of procuring affordable housing outcomes through development and the planning system. Historically, affordable housing contributions were only required at Ultimo/ Pyrmont and later in the Green Square Urban Renewal Area. The City of Sydney Affordable Housing Program has in recent years been expanded.

Effective 1 July 2021, inclusionary zoning contributions are now required across the LGA with additional site-specific contributions required through a planning agreement where there is a rezoning.

The *Environmental Planning and Assessment Act 1979* and *State Environmental Planning Policy (Housing) 2021* enable the imposition of Affordable Housing contributions and specify the manner in which the contributions are to be applied.

### Definition of Affordable Housing

"Affordable Housing" is defined in the Environmental Planning and Assessment Act 1979 (**EP&A Act**) as "*housing for very low income households, low income households or moderate income households, being such households as are prescribed by the regulations or as are provided for in an environmental planning instrument*".

Section 7.32 permits requiring land or contributions for Affordable Housing if a SEPP identifies there is a need for Affordable Housing within the area. The relevant SEPP is State Environmental Planning Policy (Housing) 2021 (**Housing SEPP**) that identifies a need for affordable housing in the LGA.

Clause 13 of the Housing SEPP defines Very Low, Low and Moderate income households as being:

- Households whose gross incomes are within specified ranges and pay no more than 30% of gross income in rent, or
- Households that are eligible to occupy rental accommodation under the National Rental Affordability Scheme (NRAS) and that pay no more rent than would be charged under the NRAS. The rent charged for a dwelling in NRAS must be at least 20% less than the market value rent for the dwelling.

### Affordable Housing Contributions

The Sydney Local Environmental Plan (2012) (**LEP**) sets out Affordable Housing contributions in clause 7.13 (LGA-wide requirement), 7.13B (site-specific requirement) and 6.70 (Blackwattle Bay requirement).

The percentage rates in the LEP are applied to a dollar amount that is set out in the City of Sydney Affordable Housing Program (**the Program**) to calculate an equivalent cash amount required. The equivalent dollar amount per square metre of Total Floor Area (TFA) is $11,176 (1 March 2024 to 28 February 2025) and is based on the Sydney LGA median strata dwelling price.

The Program also provides the background, requirements and operational detail for the Affordable Housing contribution provisions in the LEP that apply in the Sydney local government area (**LGA**).

**Table 1-1** summarises the percentage contribution rates that apply in clause 7.13 and 7.13B respectively.

**Table 1-1: Percentage (%) Contribution Rates**

| Land Use | Clause 7.13 Contributions (broad-based)* | Clause 7.13B Contributions (Planning Proposal Land) |
|---|---|---|
| Residential | 3% x residential TFA | Rate^ applies to new floor area and varies by precinct:<br>• Central Sydney - 13%<br>• West and South precincts - 12%<br>• East precinct - 21% |
| Non-residential | 1% x non-residential TFA | Not applicable |

*applies to all floor area in the development, except in Central Sydney and on Residual Land where it applies to new or more intensely used floor area
^inclusive of broad-based contribution requirements under clause 7.13
Source: City of Sydney (2023)

The City of Sydney Affordable Housing Program (**the Program**) provides the background, requirements and operational detail for the Affordable Housing contribution provisions that apply in the Sydney local government area (**LGA**). The contribution rates (% and dollar equivalent) were informed by economic feasibility testing undertaken in 2016 and 2020.

To ensure that contributions received under the Program deliver on the intended Affordable Housing outcomes, the City seeks to understand if the current contribution settings are appropriate, or if alternate rate settings should be considered.

Atlas Economics (**Atlas**) is engaged by the City to carry out a review of the Affordable Housing Contribution rates (**the Study**). The Study considers the viability of various rates in the context of development feasibility and housing supply.

## 1.2 Scope and Approach

The Study undertakes the necessary research, analysis and modelling to consider:

- The alignment/ equivalence of current Affordable Housing rates (% and $ equivalent) with the desired contribution under the Program, or if alternate rates (% and $ equivalent) are required.
- If required, how alternate rates (% and $ equivalent) could be implemented, balancing simplicity of administration and precision.
- Implications of alternate rates (% and $ equivalent) for development feasibility and housing supply in the Sydney LGA.
- Policy considerations for Affordable Housing contributions.

The overarching objective of the Study is to identify if current rates are appropriate, if alternate rates are required and the implications that result from the implementation of alternate rates.

### Study Area

The Study Area incorporates the Sydney LGA which is comprised of various contribution precincts (for s7.11 and affordable housing levies). Central Sydney is subject to Central Sydney Development Contributions Plan (2020) while the rest of the LGA is subject to the City of Sydney Development Contributions Plan (2015).

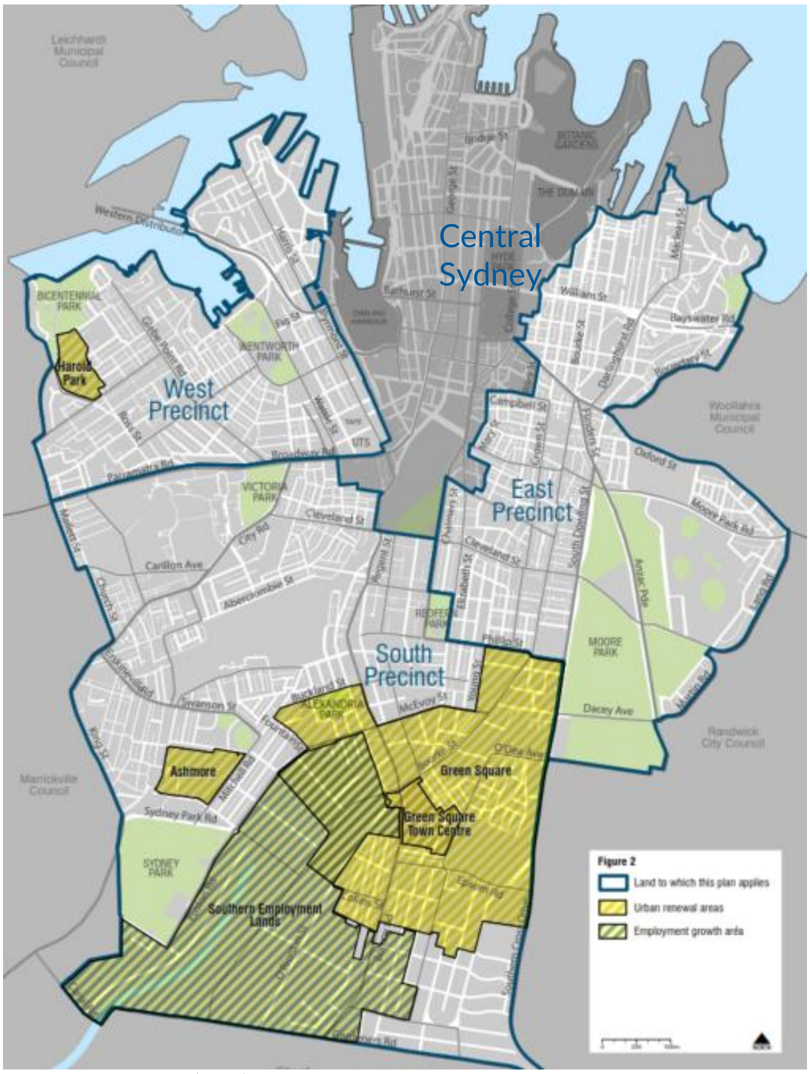
The contribution precincts encompass several suburbs and reflect different characteristics, including:

- **Central Sydney (Central)**: Sydney CBD.
- **East precinct (East)**: Surry Hills, Darlinghurst, Potts Point, Elizabeth Bay, Woolloomooloo and Rushcutters Bay.
- **West precinct (West):** Pyrmont, Glebe, Forest Lodge, Newtown and Enmore.
- **South precinct (South):** Alexandria, Beaconsfield, Redfern, Waterloo, Zetland, Eveleigh, Rosebery and Erskineville.

Overall, the Study Area comprise different lot patterns, physical characteristics and locational attributes. Importantly, these factors influence land use pricing and values, development patterns and outcomes.

**Figure 1-1** illustrates the geographical boundaries of the s7.11 contribution precincts. S7.13B affordable housing contribution precincts (for Planning Proposal land) correspond with the s7.11 precincts.

**Figure 1-1: Contribution Precincts**




Source: City of Sydney (2015)

<u>Alignment of Current Rates with Desired Affordable Housing Outcomes</u>

The Program sets out the objectives, principles and operational requirements for various Affordable Housing contributions. Together with the LEP, it describes percentage contribution rates that denote the housing outcomes desired. These are:

- For all development across the LGA (which are also identified in the LEP)[1]:
    - 1% of total non-residential TFA.
    - 3% of total residential TFA.
- For development on Planning Proposal land:
    - Central Sydney - 13% of new residential GFA.
    - West and South precincts - 12% of new residential GFA.
    - East precinct - 21% of new residential GFA.

The Program also states the equivalent monetary contribution intended to deliver on the housing outcomes desired.

To understand alignment of current rates with the Program's desired housing outcomes, the Study examines the cost of procuring/ delivering on-site housing against the equivalent monetary contribution that would be received under current rates. This enables an understanding of whether the current contribution rate settings are delivering on the Program's intent.

[1] Applied to all TFA in the development except in Central Sydney and Residual Land where the contributions requirement is applied to floor area that is in addition to floor area that is existing/ built

Testing the Impact on Development Feasibility

In circumstances where current rates are not aligned with the Program's desired housing outcomes, alternate rates and approaches for application are investigated.

As a basic premise, for any (additional) Affordable Housing contributions to be viable, development without the contribution needs to be feasible in the first instance. If development is not feasible (regardless of contributions), the development will not occur. Therefore, to test the impact of alternate contribution rates, the analysis presumes that the development scenarios tested are feasible in the first instance without the alternate contribution rates.

The contribution impact testing is undertaken in three steps.

1. **Step 1 - Identification of areas and notional development yields for testing**

   Step 1 develops notional development yields which are then tested in Step 3.

2. **Step 2 - Identification of all applicable fees and charges**

   Step 2 identifies and develops a set of assumptions for all applicable statutory fees and charges that are payable including local contributions and the Housing and Productivity contributions (**HPC**).

3. **Step 3 - Impact testing of additional contributions (alternate Affordable Housing rates)**

   Step 3 tests alternate rates to examine impact on feasibility (when included in addition to fees and charges in Step 2).

The Study reiterates that if development is not feasible in the first instance (whether due to lack of market demand or planning controls that are not feasible), the issue of Affordable Housing contributions is moot.

Implications for Development Supply

The impact of any new development contribution including alternate Affordable Housing contributions on development feasibility is relevant where the impact is substantial, therefore presenting an impact on future supply. Accordingly, the issue of impact on feasibility is critical to understand in areas planned for large scale development supply.

The Study examines historical and projected (future) patterns of development supply in the LGA in considering the relative appropriateness of contribution rates.

## 1.3 Assumptions and Limitations

The review of impact on development feasibility is undertaken in the context of other fees and charges applicable (including local contributions, Housing and Productivity contributions and water/ DSP infrastructure charges).

The Study is a generic assessment which makes observations at an aggregate level across the tested locations. The following limitations are highlighted:

- It is not possible to examine the impact of Affordable Housing contributions on every land use or subset of land use. Notional development typologies (considered to be representative of future development activity) are nominated for the purposes of contribution impact testing. They are notional only; they are not urban design or engineering tested.
- Case study areas are selected for the purposes of examining the impact of the Affordable Housing rates by land use, utilising notionally assumed development typologies and yields.
- Generic feasibility testing is based on high-level revenue and cost assumptions and does not consider site-specific nuances typically considered in detailed feasibility analysis.
- A desktop appraisal of 'as is' or existing property values is carried out without the benefit of site inspections or property financial information (i.e. rental income and investment returns).

Despite the assumptions made and limitations of generic feasibility testing, the analysis is considered to be appropriate in examining the impacts of Affordable Housing contributions at a strategic and generic level in the tested locations.

# 2. Market Context

## 2.1 Market Activity Analysis

The Australian economy has been facing a heightened level of uncertainty over the past 24-30 months. Global upstream cost pressures resulting from the war in the Ukraine, pent-up COVID-related domestic demand and a resurgence in migration-driven population growth have resulted in a significant uptick in broad based inflation across the domestic economy. The labour market is tight and has contributed to wages growth amidst this inflationary backdrop.

In response, the Reserve Bank of Australia (**RBA**) tightened monetary policy with successive increases to the official cash rate, rising from 0.1% in April 2022 to 4.35% in November 2023 to return inflation (which peaked at 7.8% in December 2022) to its target range of 2%-3%. Inflation fell through 2023 with the latest measure at 3.8% in June 2024.

Rapid increases to interest rates have begun to affect many parts of the economy - notably with substantial declines in investment activity, dwelling approvals, household consumption and residential property values.

Against this backdrop, the national housing and development sector has been impacted over the past 12-24 months:

- Following a period of soft or declining dwelling values, the residential market in Greater Sydney has started to strengthen. Market confidence has increased, with an expectation of potential interest rate cuts in 2024.
- Demand for housing also remains buoyed by population growth, with NSW recording net overseas migration of ~175,000 people in the year to June 2023.
- Demand for housing has been most felt in the rental market, with a chronic undersupply of rental properties (resulting from a rise in owner occupiers during the COVID-19 period) driving historically low residential vacancy rates.
- Owing to rising cost pressures, new unit approvals have been declining since Q3 2022 and are now approaching levels observed in March 2012 (ABS, 2023).
- Rises in building costs over 2021-2022 have resulted in a number of development projects delayed or deferred. Dwelling completions across Greater Sydney over 2022 were 27% below the previous 5-year average (DPHI, 2023).
- Softening dwelling prices have resulted in a shortage of existing stock being brought to market, as vendors adopt a 'wait and see' mentality and are avoiding marketing their properties for sale in a declining market. New house listings were down in early 2023 but have rebounded towards the end of 2023 (CoreLogic RP Data, 2023).

Accordingly, the influence of current economic conditions on property markets is nuanced. Despite the softening in housing prices, housing affordability across Greater Sydney is amongst its worst levels on record.

Not only is Greater Sydney the least affordable capital city in Australia (ANZ/CoreLogic, 2023), it is consistently ranked amongst top three most unaffordable cities globally and is now only outranked by Hong Kong (Demographia, 2023).

### 2.1.1 Residential Uses

The housing boom of 2012-2017 resulted in extraordinary price growth in the residential markets of Sydney, Melbourne and Brisbane. However, market conditions over the course of 2017-2019 began to slow amid tightening credit conditions, which saw many purchasers (notably investors) retreat from the market. Significant declines were witnessed across many markets in Greater Sydney throughout 2018 and 2019, with purchasers becoming more selective on location and overall product quality. In March 2019 house prices in Sydney and Melbourne were reported to have fallen to 2016 levels.

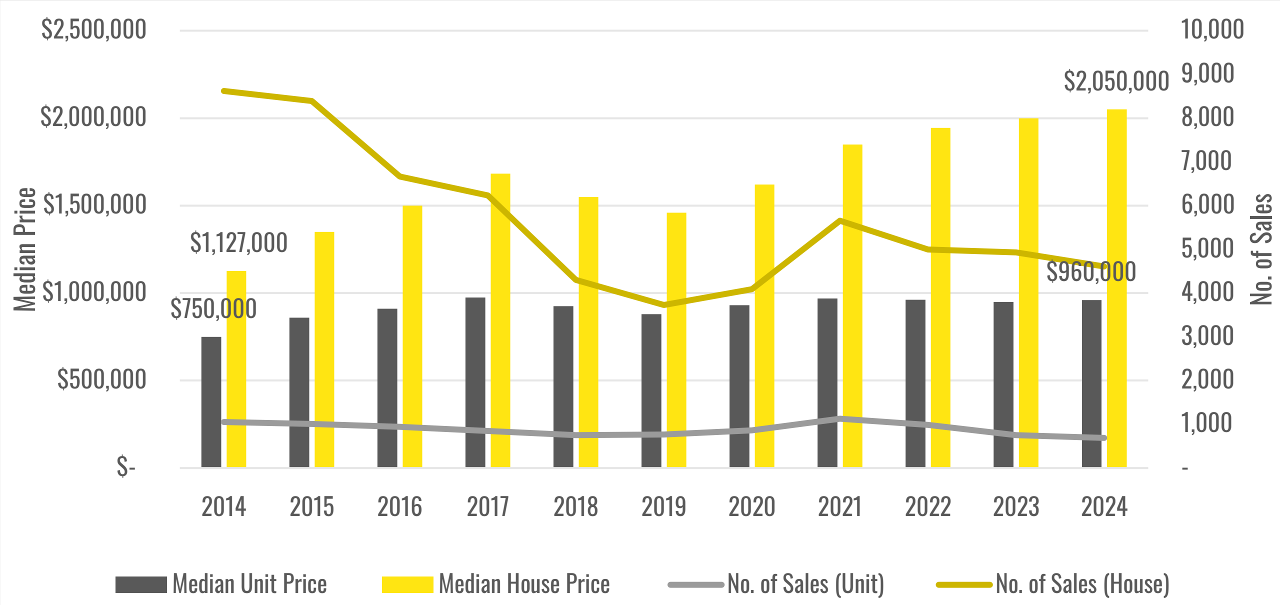
After the Federal election in May 2019, market conditions began to improve - driven by cash rate reductions by the RBA, a review of servicing buffer requirements by the Australian Prudential Regulation Authority (APRA) which eased lending conditions for purchasers and provided policy certainty around negative gearing and capital gains tax.

The renewed burst of activity in 2019 was dampened by the outbreak of COVID-19 in early 2020. After the initial 'shock' of the COVID-19 outbreak, the cumulative impact of record low interest rates, improved household savings, low listing volumes, post-lockdown lifestyle changes, government incentives and strong consumer sentiment drove growth in the residential market to a decade-high in 2021. House prices in particular, experienced extraordinary growth in a single year (2021-2022). Unit prices also experienced strong growth, though not as significant as house prices.

In 2014, the median house price in the Sydney LGA was $1.13 million. In 2024, this grew to $2.05 million, averaging annual growth of 6.9%. Whilst units also recorded price growth, this was modest - averaging 2.8% per annum over the same period.

**Figure 2-1** illustrates median dwelling price trends and sale volumes in the Study Area over the 2014-2024 period.

**Figure 2-1: Median Dwelling Prices, Sydney LGA (2014-2024)**



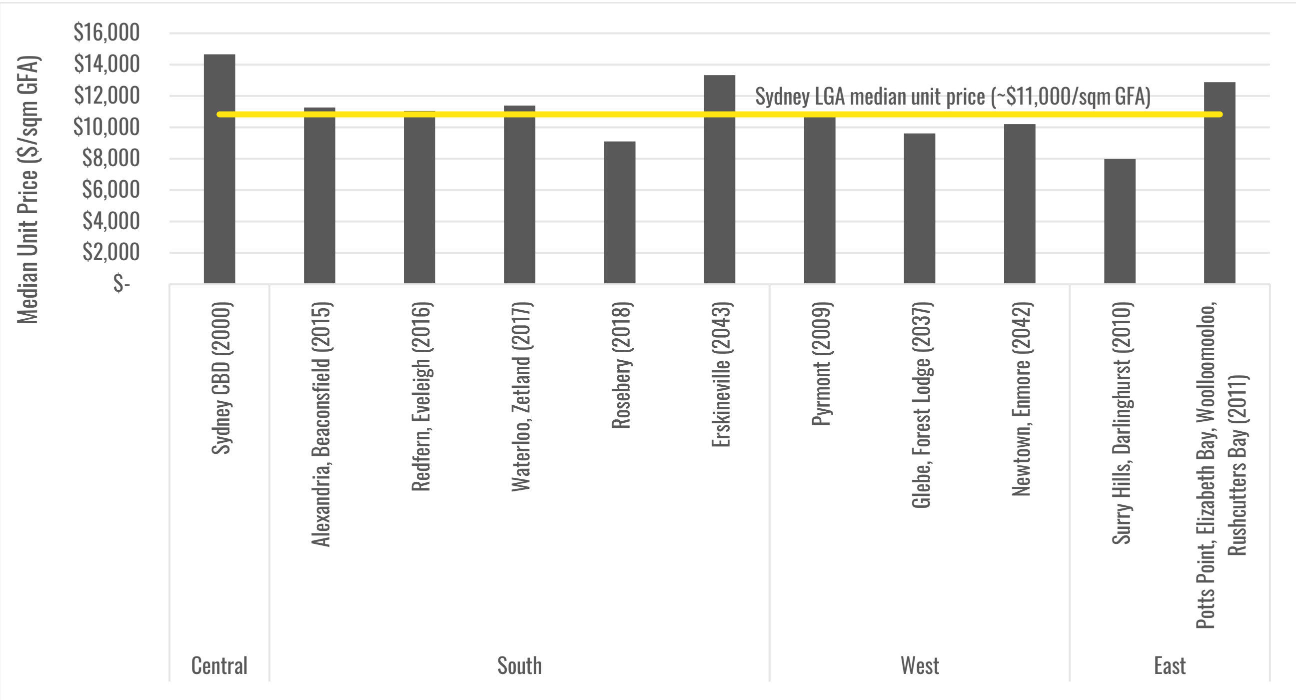

Source: PriceFinder (2024)

## Established Unit Prices

The Study Area comprises different localities - each with unique attributes, with a price hierarchy across residential markets. This influences the type of development undertaken and cost of procuring/ delivering Affordable Housing across the LGA.

**Figure 2-2** illustrates the median prices of established strata units (analysed to $/sqm GFA) by postcode in 2024. The postcodes are grouped by contribution precinct and are compared to the median price of strata units in the Sydney LGA. The median unit prices range from $8,000/sqm GFA to $15,000/sqm GFA, with an LGA median of ~$11,000/sqm GFA.

**Figure 2-2: Established Stock Median Unit Prices by Postcode (2024)**




Source: DCJ (2024)

### New Unit Prices

All things being equal, new dwelling stock generally achieves higher prices than established/ existing dwelling stock.

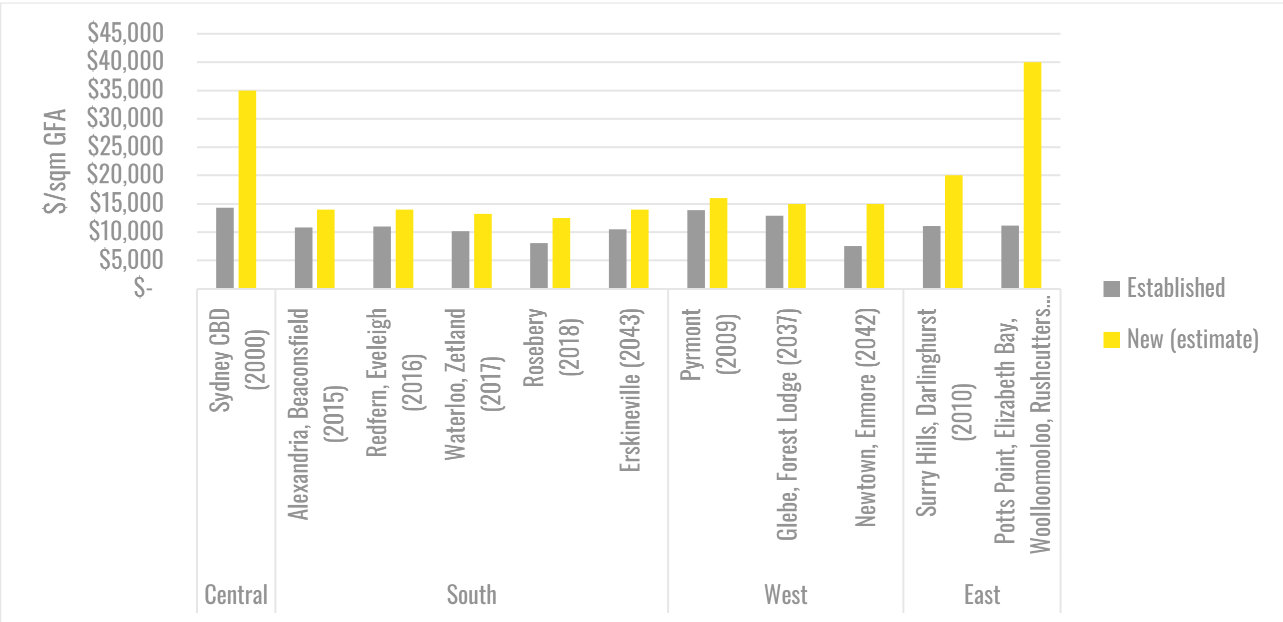
Analysis of new apartment sales affirms the market premium for new product. On average, new apartments attract a 30% premium compared to established units. This is reflective of areas within the South and West precincts, where new apartment prices broadly range from **$14,000/sqm to $20,000/sqm of net saleable area (NSA).** Example projects include '**The Wentworth**' in Glebe (West precinct) and '**Arbor**' in Erskineville (South precinct). New residential developments in these precincts are predominantly positioned at the middle end of the market. Many are small, boutique projects; larger developments may include additional features such as communal spaces and rooftop gardens.

New apartments in Central Sydney and East precinct typically achieve higher price points compared to existing unit pricing. Many are luxury developments with a high standard of finish and harbour/ city views. Examples include '**111 Castlereagh**' in the Sydney CBD and '**Nautique**' in Rushcutters Bay. Research indicates prices range from **$35,000/sqm to $60,000/sqm NSA**. Key buyer cohorts include high net worth individuals and downsizers attracted to large floorplans and luxury inclusions. These sale price represent premium developments in high value areas such as the Sydney CBD and Barangaroo in Central Sydney; and Rushcutters Bay and Potts Point in the East precinct.

Relevantly, Central Sydney and the East precinct also comprise lower- value areas where residential developments are more aligned with standard, contemporary finishes as observed elsewhere in Greater Sydney. These reflect localities such as Haymarket (Central Sydney) and Darlinghurst and Surry Hills (East precinct). Recently constructed apartments in these areas are priced from $20,000/sqm to $25,000/sqm NSA, reflecting the lowest range of values in the Central and East precincts. Apartment sale prices are typically traded and quoted on an NSA basis. Assuming a generic efficiency factor of 85% (NSA being 85% of GFA), the new residential prices can be converted from NSA to GFA rates.

**Figure 2-3** provides an overview of new unit prices observed (converted to $/sqm GFA), drawn from new apartment sales - developments either currently marketing or that have recently completed. The new unit prices are compared with median prices of established units in the same postcode areas. Examples of new residential projects are detailed in SCHEDULE 1.

**Figure 2-3: New Units Analysed Prices by Contribution Precinct (2024)**




Source: various

Overall, the findings reveal a price grading across sub-markets. That is, the Study Area has a distinct pricing hierarchy which has direct implications for:

- The delivery of Affordable Housing in the LGA.
- Capacity of development to contribute to Affordable Housing.
- Appropriate forms of contribution to Affordable Housing (in-kind versus equivalent monetary).

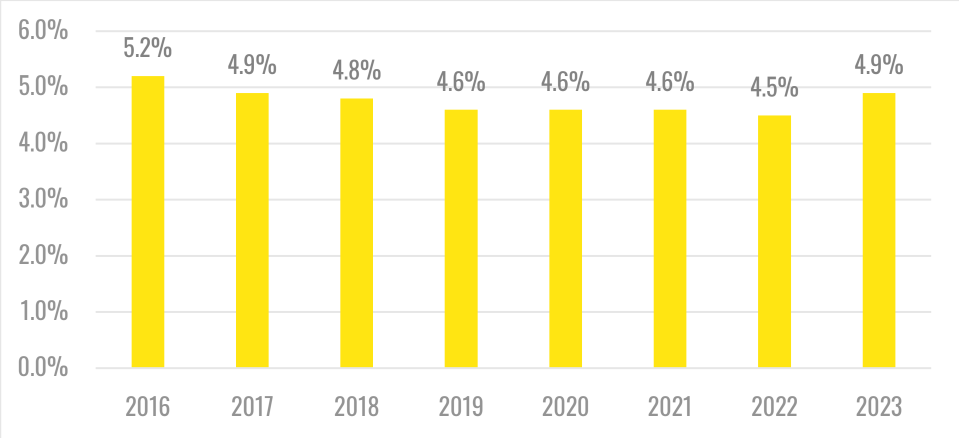
This hierarchy of pricing has direct implications for the setting of Affordable Housing rates, considered in Chapter 3.

### 2.1.2 Non-residential Uses (Office)

The Sydney CBD commercial office market was the beneficiary of large volumes of investor capital in 2016, resulting in the tightening of prime office yields in major CBD markets.

**Figure 2-4** illustrates the tightening of office yields from 2016 to 2022, after which they softened in 2023 due to a combination of factors (i.e. increased vacancy due to 'normalising' of hybrid working practices, rising interest rates).

**Figure 2-4: Prime Office Yields, Sydney CBD (2016-2023)**




Source: Statista

<u>Re-setting of Demand Patterns</u>

In recent years office and retail markets have faced headwinds on a number of structural fronts, resulting in the re-setting of demand for office and retail floorspace.

Trends resulting from the COVID-19 pandemic have 're-set' structural demand for some sectors, with hybrid working now entrenched in the modern office workplace. Research shows the average Australian worker now spends more than a quarter of their working week (27%) outside the office.

The dispersed nature of office employment activity has meant lower occupancy rates in the office, and consequently less demand for purpose-built office space and a smaller worker population (on any given day) to support local retail services.

The re-setting of demand is evident in market indicators with vacancy and incentive levels staying elevated since 2020. All CBD markets have fallen casualty to elevated vacancy levels, with markets that are small and with ageing stock most at risk.

Relevantly, market expectations of office floorspace have shifted. With prime grade office space available at competitive terms (attractive incentives and lower rents), on lease expiry, many tenants have or are reducing and/ or upgrading their premises to enjoy better amenity. Many businesses view their office premises as a necessary tool to 'attract' their employees to spend more time in the office.

<u>Implications for Future Supply</u>

Vacancy rates in all office markets have remained elevated since 2020. All office markets are 'working through' the floorspace that is currently vacant. Landlords are offering generous incentives and tenants have the ability to 'pick and choose' office premises that suit their requirements.

In the six months to July 2024, the Sydney CBD vacancy rate was at 11.6%, down from the previous six-month period of 12.2%. This represented a marginal decrease amid indications of stabilisation, further assisted with the lack of new office supply delivered in 2023/ 24.

The re-setting of structural demand for floorspace has direct implications for how sites are planned for future development. The take-up of office and retail space is expected to be slower in the immediate term as the market cycles through vacant space amid a shift in the demand for space per capita.

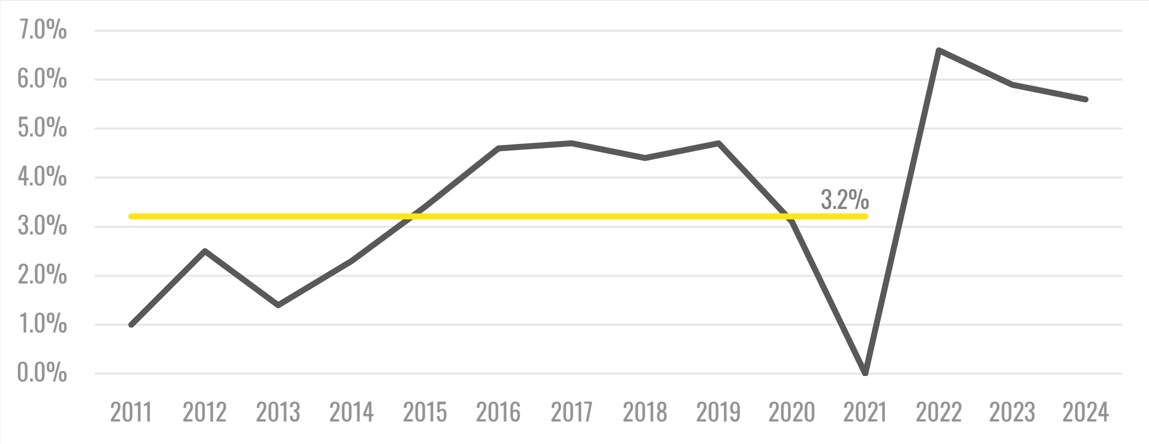
### 2.1.3 Development Activity

Cost of Construction

The cost of construction generally increases by 2.5% to 3.5% per annum, averaging 3.2% over the 10-year period to 2021. Global supply chain disruptions resulted in a spike in the cost of construction from 2021, with prices yet to normalise.

**Figure 2-5** shows generic construction cost movements and the 10-year average over the 2011-2021 period against cost movements over the last three years from 2021.

**Figure 2-5: Construction Cost Movements, Greater Sydney Region (2011-2024)**




Source: RLB (2024)

The cost of production for apartments increased significantly from 2021 due to the higher cost of capital (driven by interest rate rises) and significant increase in the cost of construction.

If increases in the cost of production can be offset by higher revenues, a project's development margin/ profit can be preserved and the feasibility of development will not be adversely affected. Over the 2021-2024 period however, growth in apartment end sale values has been relatively flat owing to the reduction in household borrowing capacity from rising interest rates.

Development Site Sales

There are very limited development site sales in the last 12-18 months. This is broadly due to recent development trends, where softening sale prices and rising construction costs have rendered development feasibility challenging.

**Table 2-1** analyses selected development site sales across the Study Area.

**Table 2-1: Development Site Sales, Study Area**

| Address (site area) | Suburb (Precinct) | Sale Price (Sale Date) | $/sqm GFA (GFA) | Comments |
|---|---|---|---|---|
| 47 Bent St (540sqm) | Paddington (Central) | $8,250,000 (Mar 2024) | $12,180/sqm (680sqm) | Aged, corner apartment building. Sold off-market, with holding income. |
| 44-48 & 52 O'Dea Ave (16,930sqm) | Waterloo (South) | $121,000,000 (Sep 2023) | $3,250/sqm (37,240sqm) | Sold with DA consent for 368 apartments and retail. Fully cleared site with partial excavation. Situated 1km northeast of the Green Square train station. |
| 189 Kent St (1,195sqm) | Sydney (Central) | $200,000,000 (July 2023) | $13,880/sqm (14,410sqm) | Circa 1960s office building, sold with development consent for two high-rise, mixed-use towers including ground floor retail and 125 apartments. Sold with holding income, having existing tenancies. |
| 1 Onslow Pl (470sqm) | Elizabeth Bay (East) | $15,041,428 (Oct 2022) | $12,800/sqm (1,175sqm) | Older RFB site sold without DA consent. Building to be refurbished to provide six, 3-bedroom units with harbour views. Each unit will occupy a full-floor and comprise 2 car spaces.<br>Higher rate ($/sqm GFA) observed due to refurbishment. |
| 117 Victoria St (1,201sqm) | Potts Point (East) | $35,000,000 (Sep 2022) | $9,630/sqm (3,630sqm) | Older apartment building sold without development consent, with holding income. DA is being assessed for demolition and construction for a 25-unit RFB of up to 8 storeys, |

| Address (site area) | Suburb (Precinct) | Sale Price (Sale Date) | $/sqm GFA (GFA) | Comments |
|---|---|---|---|---|
| 95 Macleay St (320sqm) | Potts Point (East) | $8,500,000 (Apr 2021) | $10,380/sqm (820sqm) | 'La Strada' restaurant site. Sold without development consent. A DA has since been lodged and approved for a 6-storey, boutique RFB with ground floor retail and 5 units. |
| 562-576 Harris St (769sqm) | Ultimo (West) | $7,900,000 (Jul 2022) | $6,850/sqm (770qm) | Corner location zoned B4 Mixed Use. Improved site comprising a single storey brick building over 4 allotments. Sold in-one-line without DA consent, with a short term lease remaining. |
| 2-60 Cumberland St (3,666sqm) | Sydney CBD (Central) | $150,010,000 (Nov 2021) | $17,820/sqm (8,420sqm) | Former Sirius public housing block. Development to be partially demolished and reconfigured to accommodate 76 apartments. DA approved in June 2021 for apartments, commercial and retail premises and 2 basement levels. |
| 147-149 Glebe Point Rd (346sqm) | Glebe (West) | $3,305,000 (Nov 2021) | $7,180 /sqm (460sqm) | Situated within the Glebe main village strip, 650m south of the Glebe light rail stop. Two storey commercial building sold with DA consent for 5 apartments and ground floor retail. |
| 108-112 Victoria St (490sqm) | Beaconsfield (South) | $2,451,000 (Sep 2021) | $4,980/sqm (490sqm) | Improved site with 3 older style dwellings. DA approved site for three, 4-bedroom terraces (3 levels) with parking and self-contained studios with separate rear lane access. Situated 650m south of the Green Square strain station. |
| 5-11 Botany Rd (1,812sqm) | Waterloo (South) | $20,100,000 (Jul 2021) | $4,540/sqm (4,430sqm) | Improved site comprising three, 2-storey buildings. Sold without consent. DA since lodged and approved for a 5 storey, 130-room boarding house. Construction has not yet commenced. |

Source: various

The development sites indicate a broad range from $3,000/sqm to $18,000/sqm of GFA. Development sites in the South precinct are at the lower end of the range; whilst the higher end of the range represents development sites in the East precinct. Development sites in the Central and East precincts disclose rates towards, and in excess of $10,000/sqm GFA with rates even higher where buildings are to be refurbished/ adaptively reused and where there is valuable holding income.

As a general observation, development site sale prices in Sydney pre-2021 were generally higher than recent site sales, reflecting the stronger market conditions (prior to rises in interest rates and construction costs).

The price hierarchy of development sites (between areas and precincts) is broadly aligned to the price hierarchy of residential units (**Figure 2-3**). This is unsurprising, as developers aim to overcome the high cost of land with residential product aimed at the high end of the market.

Development site values are additionally a function of existing uses/ buildings. Many development sites in the South precinct are improved with older style industrial buildings at the end of their economic useful life. In contrast, sites purchased in established urban areas in the Central, East and West precincts can be improved with functional and valuable buildings and therefore cost more to consolidate for development.

## 2.2 Housing Supply

### 2.2.1 Historical and Projected Dwelling Growth

Based on the most recent 2021 Census, there were some 123,500 private dwellings recorded across the Sydney LGA. Nearly 40% of these dwellings were located in the South precinct (~48,200 dwellings). This was followed by the 30% of dwellings in the East precinct (~36,530 dwellings). Whilst the East precinct accommodates a large proportion of dwellings, it records the lowest annual rate of dwelling growth.

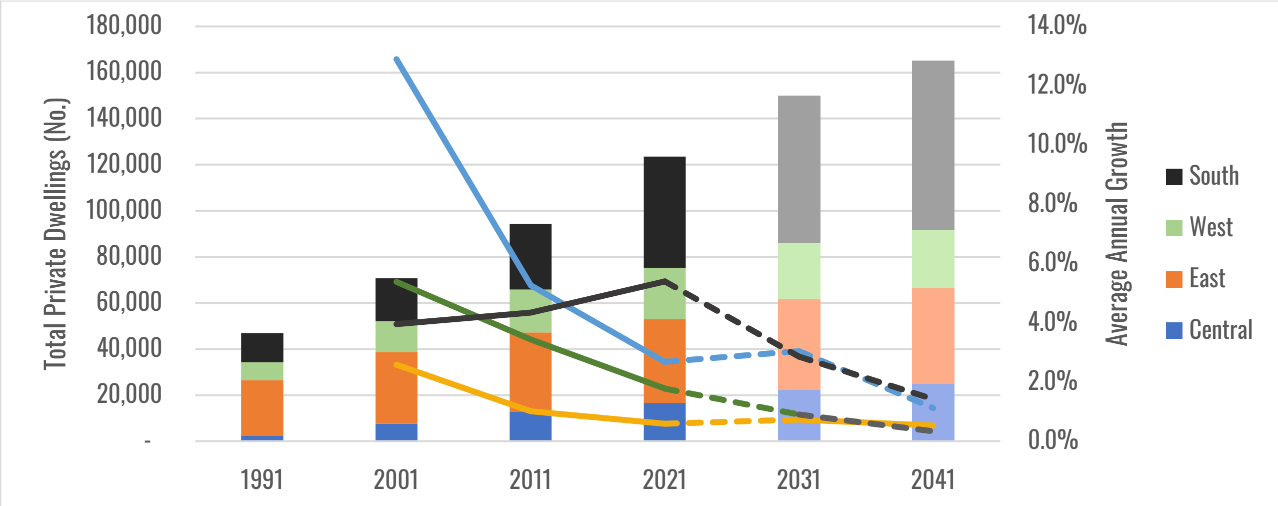
Annual rates of historical growth vary by precinct over the 2011-2021 period:

- Lowest in the East precinct - average of 1% per annum.
- Highest in the South precinct - average of 5% per annum.

Looking ahead, the rate of dwelling production is expected to remain low in the coming decade and decline further over 2031-2041. This is illustrated in **Figure 2-6**.

The dwelling projections indicate the LGA could potentially accommodate 165,000 dwellings in 2041. The South precinct is expected to accommodate the largest share of new housing at 45%. This is followed by the East precinct at ~25% and the Central and West precincts at ~15% each.

**Figure 2-6: Historical and Projected Housing Supply by Precinct (1991-2041)**




Source: Profile.id/Forecast.id

The historical and projected dwelling growth rates enable key observations:

- **The South precinct is the LGA's engine room of growth**. This is expected, given the location of the Green Square urban renewal area within the South precinct.
- **The East precinct is projected to grow housing at modest rates.** Areas in the East precinct are generally subject to fragmented lot and ownership patterns, making it challenging for new development to be financially feasible. In the last decade, luxury residential development has become commonplace as developers seek to overcome the high cost of development with residential product aimed at the high end of the market, particularly where site characteristics are supportive (e.g. proximity to water or valuable views).
- **The West precinct is projected to grow housing at modest rates**. Like the East precinct, there are pockets within the West precinct that lend themselves to luxury product, e.g. sites that offer water views or proximity.
- **Central Sydney** is expected to contribute to overall housing supply at relatively robust rates. The type of residential development is however expected to be aimed at the upper middle to luxury end of the market, leveraging the urban amenity of the CBD and available water views. This follows the reduction in residential floorspace incentives across Central Sydney in 2021. Notwithstanding the increasing prevalence of luxury residential product in Central Sydney, residential development south of Market Street (towards the Southern sub-precinct) is generally of medium specification - aimed at the middle end of the market.

The patterns of housing supply are relevant to the Study as they assist in an understanding of likely impact any alternate contribution rates may have on development supply.

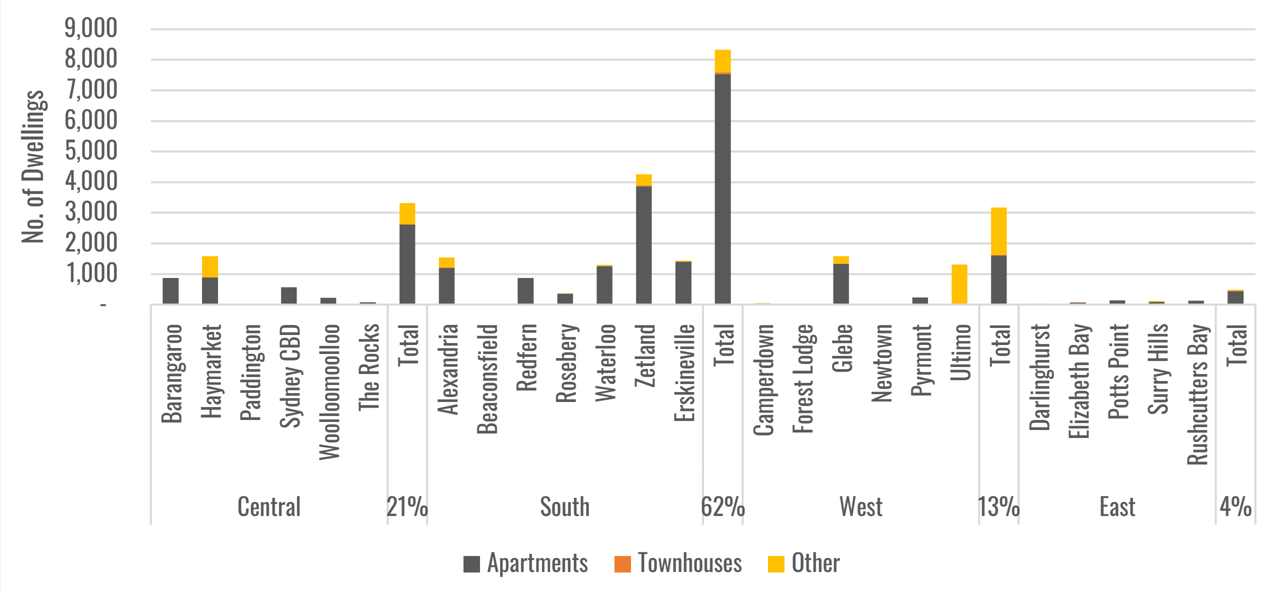
### 2.2.2 Development Pipeline

A review of the development pipeline in the LGA indicates there are 15,300 dwellings proposed and at various stages of planning. These will be delivered through ~80 residential projects. These include large-scale residential masterplanning such as Barangaroo South Stage 1B, Sydney Metro development, Regent Redfern Hotel redevelopment, Park Sydney Erskineville and Blackwattle Bay Precinct redevelopment – all of which are in early planning stages with rezoning underway. Smaller-scale projects represent a mix of DA-approved sites, those in concept planning and those under construction.

Dwellings in the development pipeline can be broadly categorised as: apartments, townhouses and 'other' residential developments such as boarding houses, social/ affordable housing, student accommodation, co-living units, etc.

**Figure 2-7** illustrates the development pipeline by precinct.

**Figure 2-7: Development Pipeline by Precinct**




Source: BCI

Key observations include:

- Nearly 80% of proposed dwellings in the Study Area represent apartments (~12,200 apartments).
  - This is followed by the 20% of 'Other' developments. Townhouses represent <1% of proposed dwellings.
  - The dominance of high-density is reflective of the cost of land, planning controls and development feasibility.
- The South precinct dominates pipeline supply.
  - Of the 12,200 proposed apartments, over 60% are within the South precinct (~7,500 dwellings). This includes the suburbs of Alexandria, Zetland and Waterloo, where large-scale residential projects are being progressed.
  - New developments include a mix of high-rise projects (>10 storeys) and warehouse conversions. Many are in their early planning stages.
- While Central Sydney has more than 20% share of pipeline supply, a large proportion of dwellings proposed include student accommodation, boarding houses and co-living units. A large proportion of the development pipeline in the Central precinct is focused in the Southern sub-precinct (that is, in and around the Haymarket area).
- The East precinct will accommodate the lowest share of new apartments (4%) across the Study Area (~440 units).
  - This is aligned with projected dwelling supply and reflects the boutique-style, small-scale nature of developments.
  - Planned residential projects are of a high-end nature, including luxury terraces and whole-floor units.

The conversion of a development pipeline and transition into the construction phase is subject to broad economic and market factors. If they proceed, some of these residential developments could reach completion in the coming 12-24 months, with a majority likelihood of delivery over the next five years.

Overall, the development pipeline provides an understanding of supply patterns across the Study Area. Broadly and from a spatial perspective, the development pipeline closely reflects the housing supply projections shown in section 2.2.1.

## 2.3 Key Findings and Implications

<u>Pricing Hierarchy and Delivery of Affordable Housing</u>

Development site values are often a function of existing uses/ buildings. In established areas (most of the Study Area), existing buildings/ uses are valuable and therefore are costly to consolidate for development.

Many development sites in the South precinct are improved with older style industrial buildings at the end of their economic useful life. In contrast, sites in established urban areas in the Central, East and West precincts can be improved with functional and valuable buildings and therefore cost more to consolidate for development.

The price hierarchy of development sites is broadly aligned to the price hierarchy of residential units, i.e. the price of development sites is highest in the Central and East precincts where residential units are also the most valuable. This is unsurprising, as developers aim to overcome the high cost of land with residential product for the high end of the market.

Overall, the findings reveal a price grading across sub-markets. The price hierarchy is relevant as it has implications for:

- The cost of delivery of Affordable Housing in the LGA.
- Capacity of development to contribute to Affordable Housing.
- Appropriate forms of contribution to Affordable Housing (in-kind versus equivalent monetary).

To deliver new housing under the Program, contributions levied must be calibrated according to the cost of that new housing.

### Structural Trends

All development markets are undergoing a period of structural change. Supply chain disruptions and labour shortages and the resultant inflationary cost environment amid rising interest rates have made development feasibility challenging. Record insolvencies of building and construction companies exacerbate the challenges of delivery and supply.

In the commercial office sector, structural trends continue to change how users perceive and demand space. In a post-COVID environment, businesses and employees have much higher expectations of their workplaces, generally seeking high-amenity and high-quality spaces. Office space in secondary locations or of secondary quality is at highest vacancy risk.

Vacancy rates in all office markets have been elevated since 2020. All office markets are ‘working through’ the floorspace that is currently vacant. Landlords are offering generous incentives and tenants can ‘pick and choose’ premises that suit.

The re-setting of demand for floorspace has direct implications for how sites are planned for future development. The take-up of office and retail space is expected to be slower in the immediate term as the market cycles through vacant space amid a shift in the demand for space per capita.

### Distribution of Future Supply

The Study is cognisant of the importance of ensuring any alternate Affordable Housing contribution rates should not undermine future supply of floorspace.

The concentration of dwellings has historically been focused in the East precinct - which has some of the highest densities in Australia and older/ ageing building stock. More recently and in the past two decades, dwelling growth has been focused in various urban renewal areas in the South precinct.

Dwelling projections indicate the Sydney LGA could accommodate more than 40,000 additional dwellings by 2041. The South precinct is the engine room of growth and is expected to account for the largest share of new housing at 45%. This is followed by the East precinct at ~25% and the Central and West precincts at ~15% each.

The patterns of housing supply are relevant to the Study as they assist in an understanding of likely impact any alternate contribution rates may have on development supply.

# 3. Affordable Housing Contributions

## 3.1 Legislative Basis of Contribution Requirements

Inclusionary Zoning

Section 7.32 of the EP&A Act permits an environmental planning instrument (**EPI**) to require land or contributions for Affordable Housing if a SEPP identifies there is a need for Affordable Housing. The relevant SEPP is the Housing SEPP.

Clause 14 of the Housing SEPP identifies there is a need for affordable housing within each area of the State.

Clause 15 of the Housing SEPP requires the consent authority to consider the following before imposing contributions under s7.32 of the EP&A Act.

- Affordable Housing must aim to create mixed and balanced communities.
- Affordable Housing must be created and managed so that a socially diverse residential population, representative of all income groups, is developed and maintained in a locality.
- Affordable Housing must be made available to very low, low and moderate income households, or a combination of the households.
- Affordable Housing must be rented to appropriately qualified tenants at an appropriate rate of gross household income.
- Land provided for Affordable Housing must be used for the purposes of the provision of affordable housing.
- Buildings provided for Affordable Housing must be managed to maintain their continued use for affordable housing.
- Affordable Housing must consist of dwellings constructed to a standard that, in the opinion of the consent authority, is consistent with other dwellings in the area.

Affordable Housing contributions under an EPI form a condition of consent, payable prior to issue of construction certificate.

Rezoning

The Greater Sydney Region Plan (**the Region Plan**, GCC, 2018) recommended that within Greater Sydney, Affordable Rental Housing Targets of 5%-10% of new residential floorspace should be applied, where viable.

The Greater Cities Commission (**GCC**) issued Information Note 4 (GCC, 2017) to clarify application of the Affordable Rental Housing Targets in the Greater Sydney Region Plan and District Plans.

The GCC proposed Affordable Rental Housing Targets apply as follows:

- apply to land that is the subject of upzoning - a change of land use to residential or an increase in permissible residential development density.
- vary by precinct according to the local development viability.
- apply only to new areas nominated by the relevant planning authority; not apply retrospectively to rezoned land.
- be announced prior to rezoning to give the market certainty about the amount of affordable housing to be provided, and so that it can be factored into underlying land prices.
- apply to land within new urban renewal or land release areas (both government and private) identified via a local or district housing strategy, or another form of appropriate research that illustrates a current or future need for affordable rental housing.
- be calculated as a proportion of all residential floor space above the base floor space ratio - that is, the residential floor space ratio that was permissible before the upzoning within the nominated area.

Information Note 4 provides some parameters for an approach to development feasibility testing, including that the testing should consider "*the feasibility of residential development, with a normal risk/ return margin, including the cumulative costs of local, and where appropriate State contributions*".

## 3.2 Current Contribution Rates

### 3.2.1 Inclusionary Zoning

Contribution In-kind

Clause 7.13 of the LEP identifies Affordable Housing contribution rates (%) that apply to the different types of development.

- 1% of non-residential total floor area (TFA).
- 3% of residential total floor area (TFA).

The Program identifies that the contributions may be satisfied by dedication of dwellings. In simple terms, a development of 100 dwellings would contribute 3 dwellings.

A development that proposes 10,000sqm TFA (1,000sqm non-residential TFA and 9,000sqm residential TFA) would be required to contribute/ dedicate 280sqm TFA for Affordable Housing. This is comprised of:

- 10sqm arising from 1% x 1,000sqm non-residential TFA; and
- 270sqm arising from 3% x 9,000sqm residential TFA.

The Program specifies a range of requirements that must be satisfied, including that dwellings must be dedicated free of cost, owned by Government or nominated community housing provider (CHP) and used as Affordable Housing in perpetuity.

Monetary Contribution

The Program provides for an equivalent monetary contribution to be made to satisfy the contribution requirement. This is calculated by multiplying the published dollar amount by the percentage contribution rate and TFA proposed.

Taking the same example of a 10,000sqm TFA development, the equivalent monetary contribution is calculated at $3,129,342. This is arrived at by applying the current dollar amount of $11,176.22 as follows:

- $111,762 (10sqm x $11,176.22) arising from 1% of 1,000sqm non-residential TFA.
- $3,017,579 (270sqm x $11,176.22) arising from 3% of 9,000sqm residential TFA.

In Central Sydney and on residual land, the contribution is only calculated on new or more intensely used floor area. This is because the areas were not rezoned when the contributions were introduced (unlike Green Square for example).

The Study acknowledges that TFA is larger than GFA. Applying a generic conversion factor of 110% the equivalent dollar amount is $12,294/sqm GFA ($11,176 x 110%).

### 3.2.2 Planning Proposal Land (Rezoning)

Clause 7.13B identifies an additional contribution requirement where land is rezoned and there is an increase in the FSR. Schedule 6C specifies the percentage contribution required when land is rezoned. The equivalent monetary contribution is calculated in accordance with the Program as follows:

- Central Sydney - 13% on new floor area achieved in the Planning Proposal.
- South and West precincts - 12% on new floor area achieved in the Planning Proposal.
- East precinct - 21% on new floor area achieved in the Planning Proposal.

Using an example development of 9,000sqm GFA - if a Planning Proposal amended FSR to enable 12,000sqm GFA (11,000sqm residential GFA, 1,000sqm non-residential GFA), the equivalent monetary contribution is shown in **Table 3-1**.

**Table 3-1: Planning Proposal Land, Example Contrbutions by Precinct**

| Precinct | Contribution Rate | New GFA | Equivalent Monetary Contribution | |
|---|---|---|---|---|
| Central Sydney | 13% | 3,000sqm | 13% x 3,000sqm x $12,294 | $4,794,660 |
| East precinct | 21% | 3,000sqm | 21% x 3,000sqm x $12,294 | $7,745,220 |
| West and South precincts | 12% | 3,000sqm | 12% x 3,000sqm x $12,294 | $4,425,840 |

## 3.3 New Housing Outcomes

Since 2013, annual affordable housing contributions have ranged from $20 million to $40 million annually, a function of economic and market conditions. As at June 2024, the City has collected $404 million in contributions and distributed them to City West Housing to build and manage Affordable Housing. There have been 1,400 dwellings (built, in the pipeline and expected) that have resulted from the City's affordable housing contribution schemes.

### In-kind v Monetary Contributions

The Program requires that dwellings that are contributed must be in a location and of a size and quality to the satisfaction of the City and the receiving CHP. In circumstances where a recommended CHP is unwilling to accept the in-kind contribution, they may be dedicated to another eligible CHP to remain Affordable Housing in perpetuity, and to be owned and managed in accordance with the Program.

Where monetary contributions are instead made, the contributions are distributed to the City's recommended CHPs for the purposes of procuring/ delivering Affordable Housing in the Sydney LGA. Existing dwellings could be purchased for the purposes of Affordable Housing.

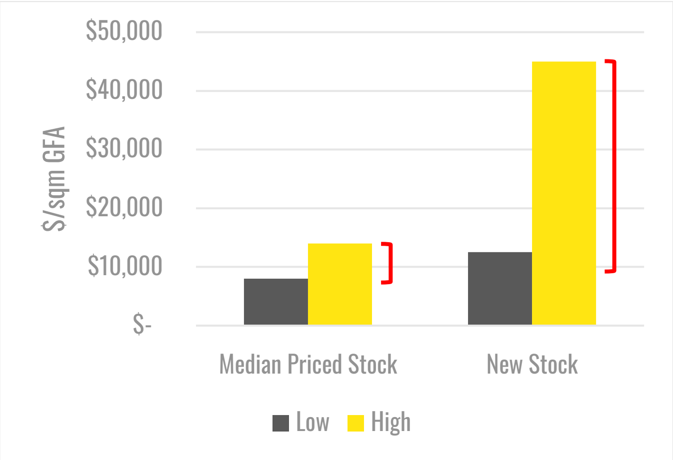
### Alignment of Monetary Contributions with Delivery of Housing Outcomes

The analysis in section 2.1.1 indicates a distinct residential price hierarchy across sub-markets. All things being equal, it is most expensive to procure/ deliver new housing in the East and Central precincts, followed by the West and South precincts.

- The price spread for an existing median priced strata unit is less distinct between sub-markets - ranging from $8,000sqm GFA to $14,000/sqm GFA.
- In contrast, the price spread for new units is much wider between markets - $12,500/sqm GFA to $45,000/sqm GFA. This is due to an increasingly prevalence of luxury residential product in some markets (East and Central precincts).

**Figure 3-1** illustrates the difference in spread of residential unit values in the Study Area for median priced (established/ older) stock compared to new/ off-the-plan stock.

**Figure 3-1: Relative Values of Residential Units, Study Area**




Source: Atlas

The City's published dollar contribution amount is $11,176/sqm TFA (1/3/24 to 28/2/2025). The rate is derived from the median price of a residential strata dwelling in the Sydney LGA. Monetary contributions collected equivalent to this dollar rate would enable the City or its nominated CHP to purchase median priced (older) residential strata stock in the LGA.

Monetary contributions collected at the current dollar rate *would not* enable purchase or delivery of new residential units given the large price differential between median priced (old) stock and new stock. This incongruence is most stark in the East and Central precincts where new residential stock is increasingly of a luxury, high end nature.

There is accordingly a case for the City to consider alternate dollar rates that would be more aligned to the delivery of new housing outcomes across the various precincts.

Alternate Dollar Rates

This section examines alternate dollar rates that could potentially be used to calculate equivalent monetary contributions for Affordable Housing.

Chapter 2 examined the relative spread of new residential unit prices across the LGA, various suburbs and between contribution precincts. Alternate dollar rates which better reflect the cost of delivery/ purchase of new dwellings could be considered based on the following geographies:

- An LGA-wide dollar rate to reflect the 'best fit' of new residential unit prices.
- Individual dollar rates to apply in various suburbs/ postcodes within the LGA.
- Dollar rates to apply in each of the four contribution precincts (Central, East, West, South).

**Figure 3-2** shows the spread of rates if a multi-rate approach was taken. Relevantly, **Figure 3-2** shows that the current rate ($11,176/sqm) ***does not*** enable delivery or purchase of new Affordable Housing dwellings in any of the areas shown.

**Figure 3-3** shows the spread of rates were a single LGA-wide rate ($19,500/sqm) to be applied or if four rates were applied by contribution precinct. The four rates shown represent the *lower* bounds of new residential prices within the precincts.

**Figure 3-2: New Residential Prices, Spread by Select Suburbs v Current Rate (GFA terms)**

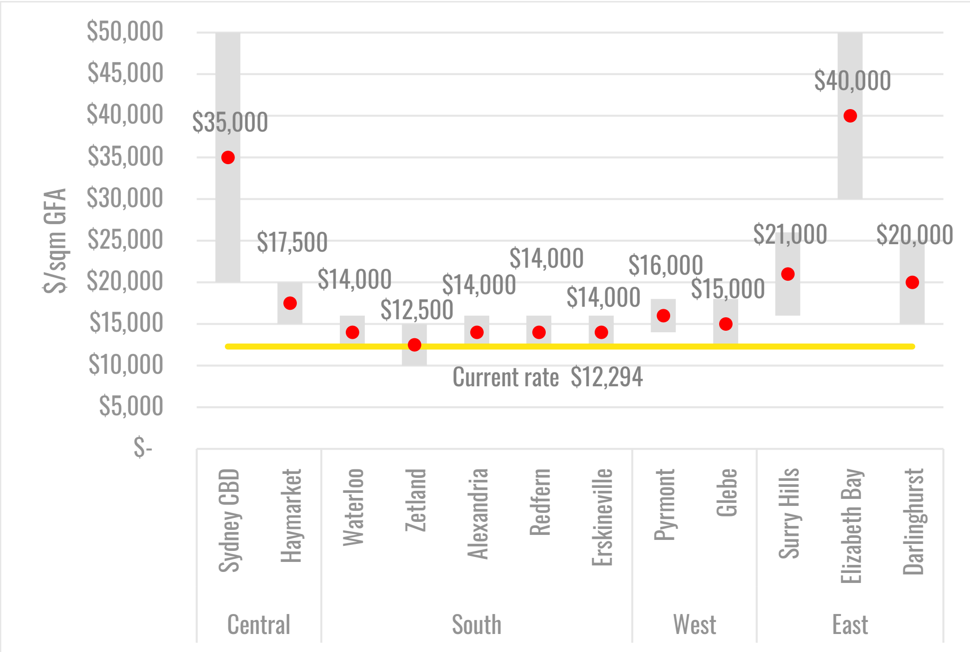
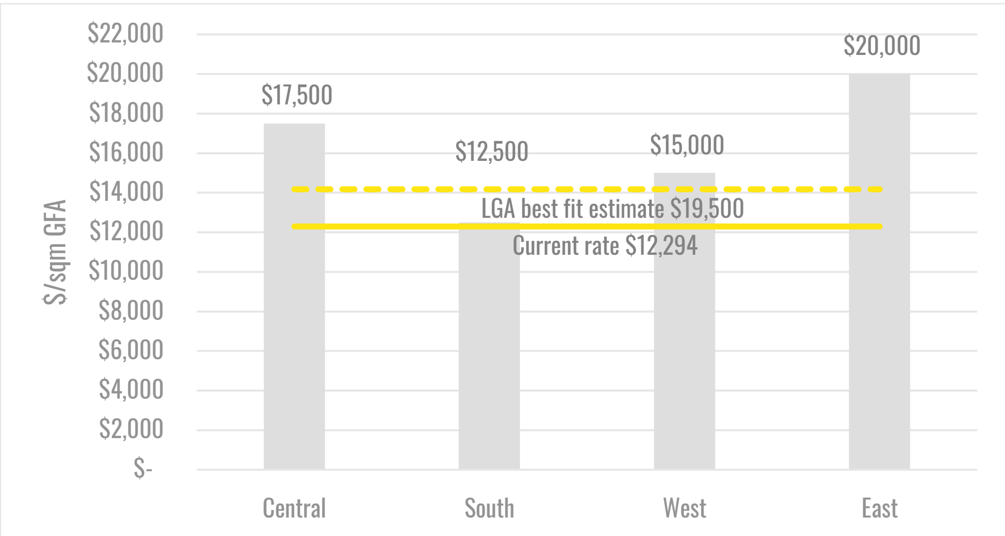



**Figure 3-3: New Residential Prices, LGA-wide Rate v Contribution Precinct Rate v Current Rate**




Source: Atlas

There would be greater precision if dollar rates were applied by suburb/ postcode (similar to **Figure 3-2**), however it could be confusing to applicants and be a higher administrative burden on the City.

At the other end of the spectrum, a single LGA-wide rate would be simple to administer (similar to the present) however as **Figure 3-3** demonstrates, there would be similar challenges for delivery of housing outcomes in high-cost areas in the East and Central precincts. There would additionally be a disproportionate burden on developments in lower priced areas.

Based on analysis of market activity and observed sale prices of new residential units in the Study Area, **Table 3-2** develops a schedule of alternate dollar rates ($/sqm GFA) based on the geography approaches described above.

The Study notes that the precinct-based rates nominated are towards the lower end of the respective observed ranges.

**Table 3-2: Alternate Dollar Rates ($/sqm GFA)**

| Precinct | Select Suburb | Current Rate (LGA-wide) | Alternate Dollar Rates | | |
|---|---|---|---|---|---|
| | | | Suburb Rate | LGA-wide Rate | Precinct Rate |
| Central | Sydney CBD | $12.294 (equivalent to $11,176/sqm TFA) | $20,000 - $50,000 | $19,500 | $17,500 |
| | Haymarket | | $15,000 - $20,000 | | |
| South | Waterloo | | $12,000 - $16,000 | | $12,500 |
| | Zetland | | $10,000 - $15,000 | | |
| | Alexandria | | $12,000 - $16,000 | | |
| | Redfern | | $12,000 - $16,000 | | |
| | Erskineville | | $12,000 - $16,000 | | |
| West | Pyrmont | | $14,000 - $18,000 | | $15,000 |
| | Glebe | | $12,000 - $18,000 | | |
| East | Surry Hills | | $16,000 - $26,000 | | $20,000 |
| | Elizabeth Bay | | $30,000 - $50,000 | | |
| | Darlinghurst | | $15,000 - $25,000 | | |

Source: Atlas

The dollar rates represent the cost of delivering a residential unit (at an aggregate level) - that is, the cost of land, cost of development and profit/ risk to a developer.

The Study highlights that the above dollar rates are quoted in $/sqm GFA terms. They would be approximately 10% lower if quoted in $/sqm TFA terms (due to the inclusion of balconies in TFA).

The following chapters consider the impact of the alternate rates on development feasibility.

# 4. Review of Broad-based Contribution Rates

## 4.1 Testing of Clause 7.13 Contributions

Clause 7.13 of the LEP identifies Affordable Housing contribution rates (%) that apply to the different types of development.

- 1% of total non-residential floor area.
- 3% of total residential floor area.

The Program provides for Affordable Housing contributions to be either satisfied as contributions in-kind (completed dwellings that are dedicated/ gifted) or as equivalent monetary contributions. The objective of this chapter is to test the impact of the latter form of contribution (equivalent monetary) on development feasibility.

### Current and Alternate Rates

Chapter 3 found that monetary contributions collected under the current dollar rate would not enable purchase or delivery of new residential units given the large price differential between median priced (old) stock and new stock. This difficulty is greatest in the East and Central precincts where new residential stock is increasingly of a luxury, high end nature.

Chapter 3 considered various dollar rates that would be more aligned to the intent of the Program - which is to require a proportional contribution from development for Affordable Housing.

While dollar rates developed at the suburb/ postcode level would represent a precise alignment between the equivalent dollar contribution and the intent of the Program, the approach lacks simplicity and poses a heavier administrative burden. This approach is not taken forward for testing.

In contrast, dollar rates developed at the contribution precinct level (Central, East, West and South) would be less precise, however be simpler to understand and administer. A single LGA-wide rate would be the simplest, though the difference in pricing across locations would require the application of differential percentage contribution rates to the single dollar rate.

### Contribution Assumptions

Any new/ additional development contributions have the potential to have a cumulative impact on development feasibility.

**Table 4-1** lists potential alternate rates (single LGA rate, precinct rates) against other applicable statutory fees and charges. Relevantly, the rates are in $/sqm GFA terms (not $/sqm TFA).

**Table 4-1: Tested Rates and Other Fees and Charges**

| Precinct | Affordable Housing % Rate | Tested Equivalent Dollar Rate ($/sqm GFA) | | | Local Contributions | Housing and Productivity Contributions (HPC)* |
|---|---|---|---|---|---|---|
| | | Current rate | Alternate LGA rate | Precinct rate | | |
| Central | Non-residential - 1%<br>Residential - 3% | $12,294 | $19,500 | $17,500 | s7.12 (3%) | $12,000 per dwelling (House)<br>$10,000 per dwelling (Unit)<br>$30/sqm GFA (commercial/ retail) |
| East | | | | $20,000 | s7.11 | |
| West | | | | $15,000 | s7.11 | |
| South | | | | $12,500 | s7.11 | |

Source: Atlas

*Housing and Productivity contributions are phased-in from 1 October 2023, at 50% thereafter at 75% from 1 July 2024, fully implemented from 1 July 2025.

### Timing Assumptions

Contribution impact testing is carried out to show the impact of new/ alternate Affordable Housing contributions.

The gradual implementation of alternate Affordable Housing rates is also considered to test if natural market growth can assist with mitigation of impact. Revenue levels are assumed to be flat in 2024 (recognising the current economic headwinds and inflationary cost environment). In Year 2 onwards a modest 1% per annum growth in revenue (net of cost) is assumed.

**Table 4-2** lists the contribution assumptions and full implementation of alternate Affordable Housing rates within four years (after formal exhibition and adoption by Council).

**Table 4-2: Tested Rates Phasing-in Timeline**

| Charge | Fully Implemented Rate | Plan-making | Year 1 | Year 2 | Year 3 | Year 4 |
|---|---|---|---|---|---|---|
| Alternate Affordable Housing contributions | • Central - $17,500/sqm | 0% | 0% | 0% | 50% | 50% | 100% |
| | • East - $20,000/sqm | 0% | 0% | 0% | 50% | 50% | 100% |
| | • West - $15,000/sqm | 0% | 0% | 0% | 50% | 50% | 100% |
| | • South - $12,500/sqm | 0% | 0% | 0% | 50% | 50% | 100% |
| Local infrastructure contributions (s7.11, s7.12) | applicable rates in plans | 100% | 100% | 100% | 100% | 100% | 100% |
| Housing and Productivity contributions | • $12,000/ dwelling (House)<br>• $10,000/ dwelling (Unit)<br>• $30/ sqm (commercial/ retail) | 75% | 100% | 100% | 100% | 100% | 100% |

Source: Atlas

### Measure of Feasibility Impact

The objective of the testing is to assess if, after Affordable Housing contributions, hurdle rates are within acceptable range. Key performance indicators relied upon are hurdle rates (development margin[2] and project IRR[3]). Benchmark hurdle rates and their 'feasible' ranges by land use typology are indicated in **Table 4-3**.

**Table 4-3: Benchmark Hurdle Rates**

| Performance Indicator | Feasible | Marginal to Feasible | Not Feasible |
|---|---|---|---|
| Development Margin | >20% | 18%-20% | <18% |
| Project Return (IRR) | >18% | 17%-18% | <17% |

Source: Atlas

The adopted benchmark hurdle rates align with industry/ market expectations and are consistent with Atlas' previous work.

## 4.2 Tested Scenarios

**Table 4-4** describes a selection of locations and development scenarios for the purposes of testing the feasibility impact.

**Table 4-4: Notional Development Scenarios, Compliant with LEP**

| Precinct | Suburb | Site Area (sqm) | Zone | Notional Development and Yields | Density |
|---|---|---|---|---|---|
| Central | Sydney CBD (City Core) | 2,000 | SP5 | Commercial, 27,500sqm commercial GFA | FSR 13.75:1 |
| | Sydney CBD (Midtown) | 2,000 | SP5 | Mixed use residential, 21,120sqm GFA | FSR 10.56:1 |
| | Sydney CBD (Southern) | 2,000 | SP5 | Mixed use residential 17,600sqm GFA | FSR 8.8:1 |
| East | Elizabeth Bay | 470 | R1 | RFB (part refurb, part development), 1,175sqm GFA | FSR 2.5:1 |
| | Darlinghurst | 400 | MU1 | Mixed use residential, 960sqm GFA | FSR 2.4:1 |
| West | Glebe | 800 | MU1 | Mixed use residential, 1,600sqm GFA | FSR 2.0:1 |
| | Pyrmont | 500 | MU1 | Mixed use residential, 1,520sqm GFA | FSR 3.0:1 |
| South | Waterloo | 16,900 | MU1 | Mixed use residential, 34,500sqm GFA | FSR 2.0:1 |
| | Beaconsfield | 480 | R1 | Medium density residential, 488sqm GFA | FSR 1.0:1 |
| | Alexandria | 3,200 | E4 | Mixed business/ enterprise, 4,000sqm GFA | FSR 1.25:1 |

Source: Atlas

Where land is urban, the cost of land (to a developer) will be reflective of the existing uses and development potential. Where lot patterns are fine grain in nature and property values are high, where possible, development will be motivated to deliver a luxury product to offset the high cost of land. This activity is observed in Elizabeth Bay, Rushcutters Bay, etc.

A series of graphs illustrates the impact of alternate Affordable Housing rates (in **Table 4-4** scenarios) at the **Table 4-1** rates. The alternate rates are assumed at 100% implementation from Day 1 - this is intended to test a ***worst-case scenario***.

[2] Development Margin is profit divided by total costs (including selling costs)
[3] Project IRR is the project return on investment, the discount rate where the cash inflows and cash outflows are equal

### 4.2.1 Central Precinct

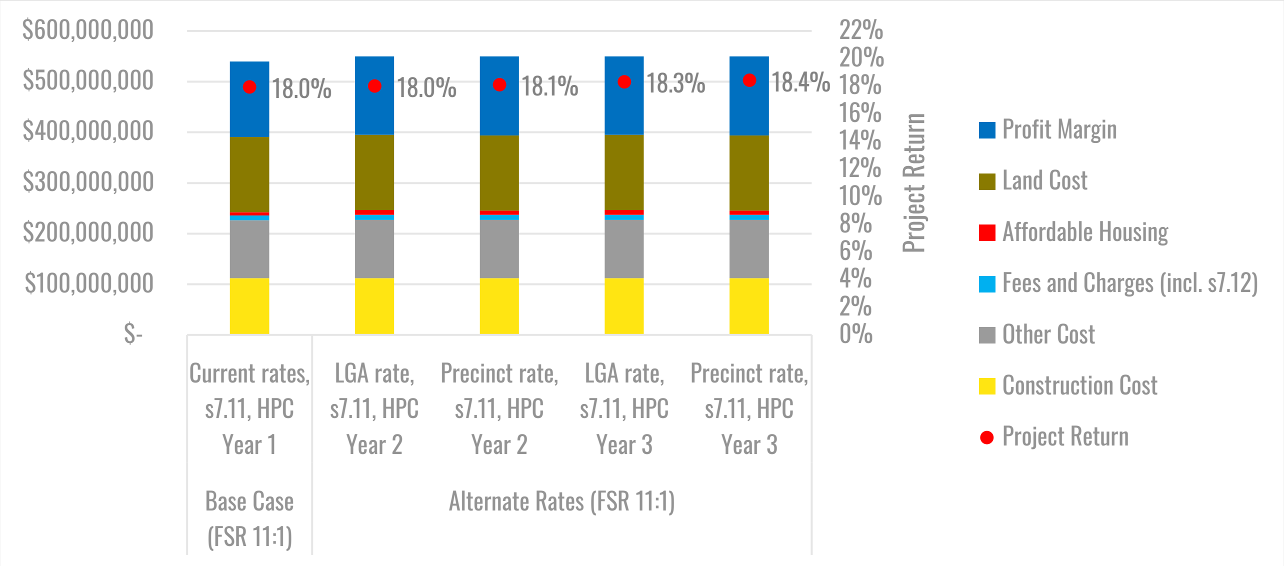
Three sites in the Central Precinct are tested - two mixed use (commercial, residential) and a commercial-only developments.

Mixed Use Residential

**Figure 4-1** and **Figure 4-2** illustrate the impact to project return (IRR) in two mixed use development in the Midtown and Southern sub-precincts respectively. The following observations are made on impact of the alternate rates:

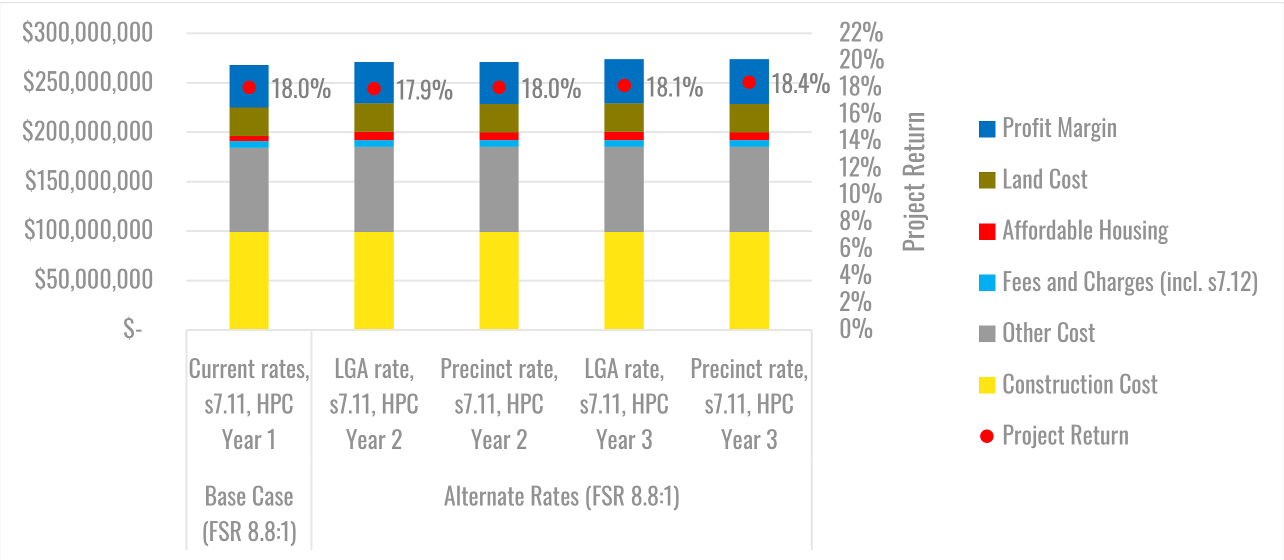
- If alternate Affordable Housing contributions are implemented in full, 2-3 years' of real growth offset the impact of the higher rates.
- Expectedly, tolerance in the higher priced sub-precinct of Midtown is better, with project returns preserved by real growth of revenue.
- Despite lower sale prices in the Southern precinct, tolerance to a fully implemented alternate rate is assisted by real revenue growth over 2-3 years.
- The impact of an LGA rate ($19,500/sqm) is expectedly higher than the precinct rate ($17,500/sqm).

**Figure 4-1: Impact of Alternate Contributions (Precinct rate and LGA rate), Midtown precinct**




Source: Atlas

**Figure 4-2: Impact of Alternate Contributions (Precinct rate and LGA rate), Southern precinct**

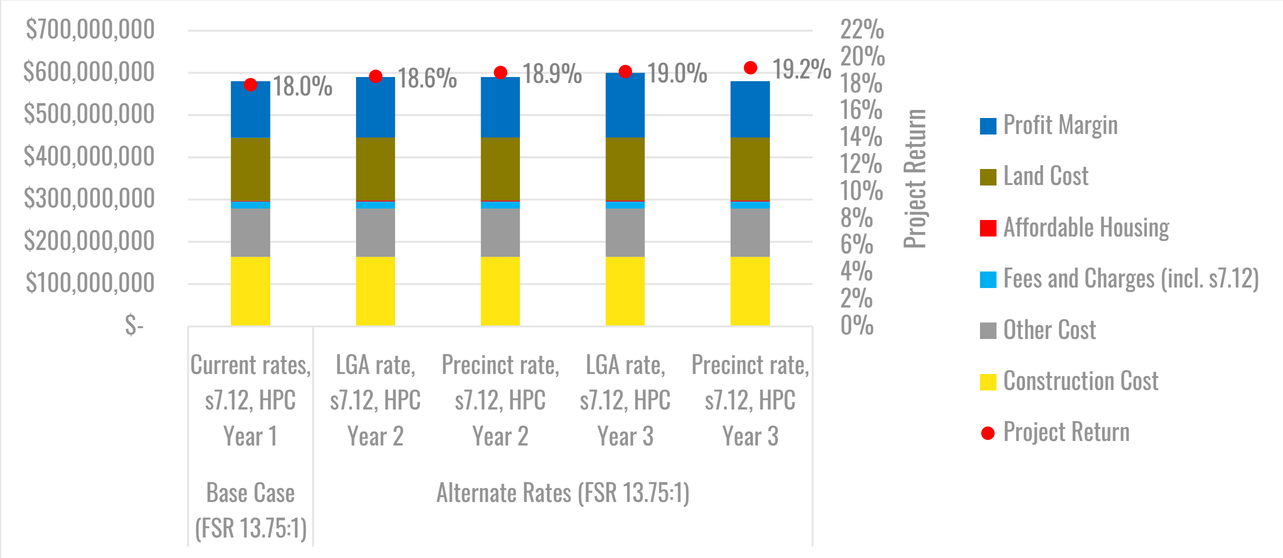



Source: Atlas

Commercial

**Figure 4-3** illustrates the impact to project return in a commercial-only development in the City Core, Sydney CBD. The impact of the alternate rates is comparatively minor and offset by Year 2, given the low percentage requirement (1%).

**Figure 4-3: Impact of Alternate Contributions (Precinct rate and LGA rate), City Core precinct**




Source: Atlas

### 4.2.2 East Precinct

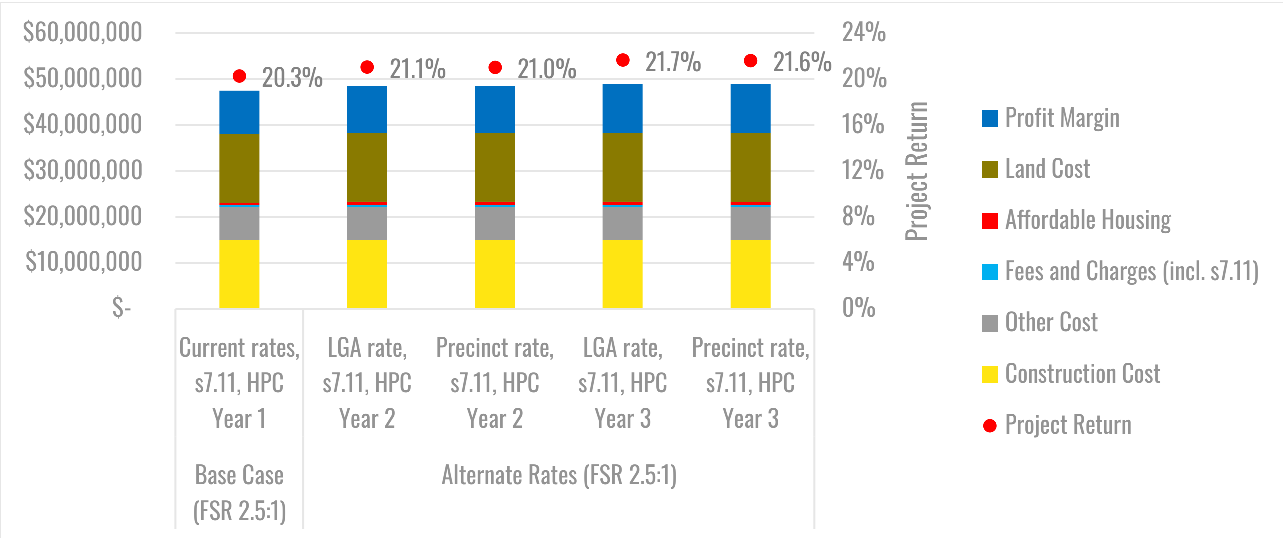
Two locations are selected for testing - Elizabeth Bay and Darlinghurst both for residential development. These locations represent the two bookends in the East precinct in terms of the price hierarchy.

**Figure 4-4** and **Figure 4-5** illustrates the impact to project return (IRR) in assumed residential developments in Elizabeth Bay and Darlinghurst. The development in Elizabeth Bay is a part adaptive reuse/ redevelopment of an existing building while the one in Darlinghurst is a redevelopment. The following observations are made on the impact of alternate rates:

- If alternate rates are implemented in full, 2-3 years' of real growth offset the impact of the higher rates.
- The impact of an LGA rate ($19,500/sqm) is expectedly lower than a precinct rate ($20,000/sqm).

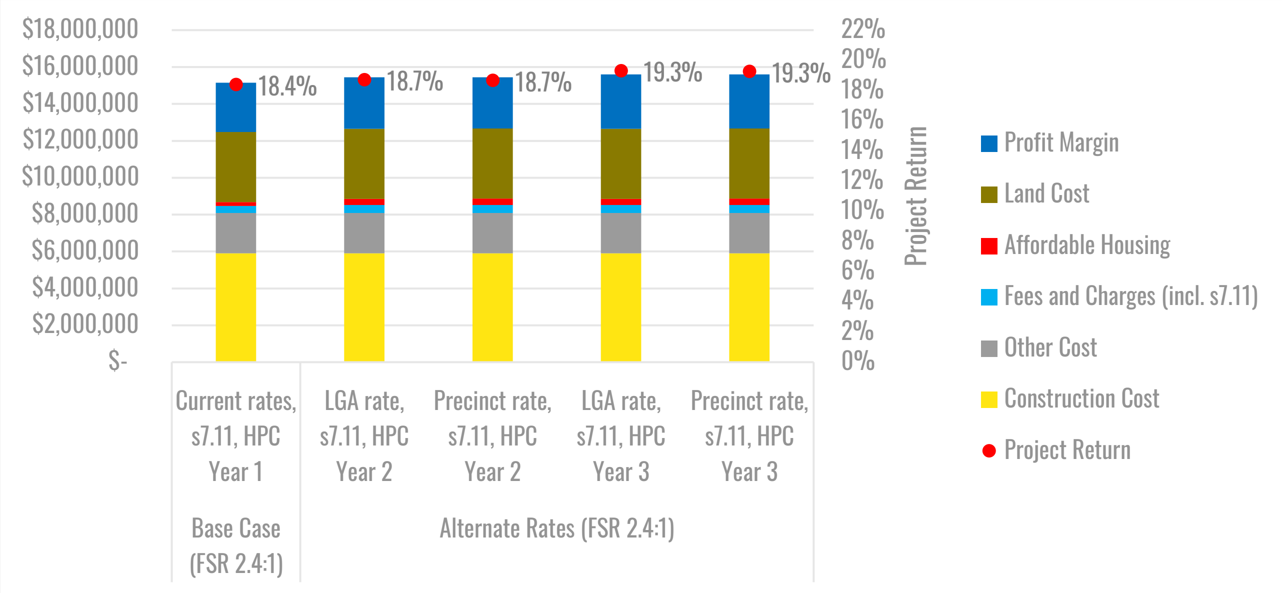
Tolerance to alternate rates is better (i.e. the impact to feasibility is less) in an adaptive reuse development if the cost of construction is lower than the cost of a comprehensive redevelopment. This is demonstrated by the notional Elizabeth Bay development in **Figure 4-4** where project return comfortably exceed the minimum hurdle rate by Year 2.

**Figure 4-4: Impact of Alternate Contributions (Precinct rate and LGA rate), Elizabeth Bay**




Source: Atlas

**Figure 4-5: Impact of Alternate Contributions (Precinct rate and LGA rate), Darlinghurst**




Source: Atlas

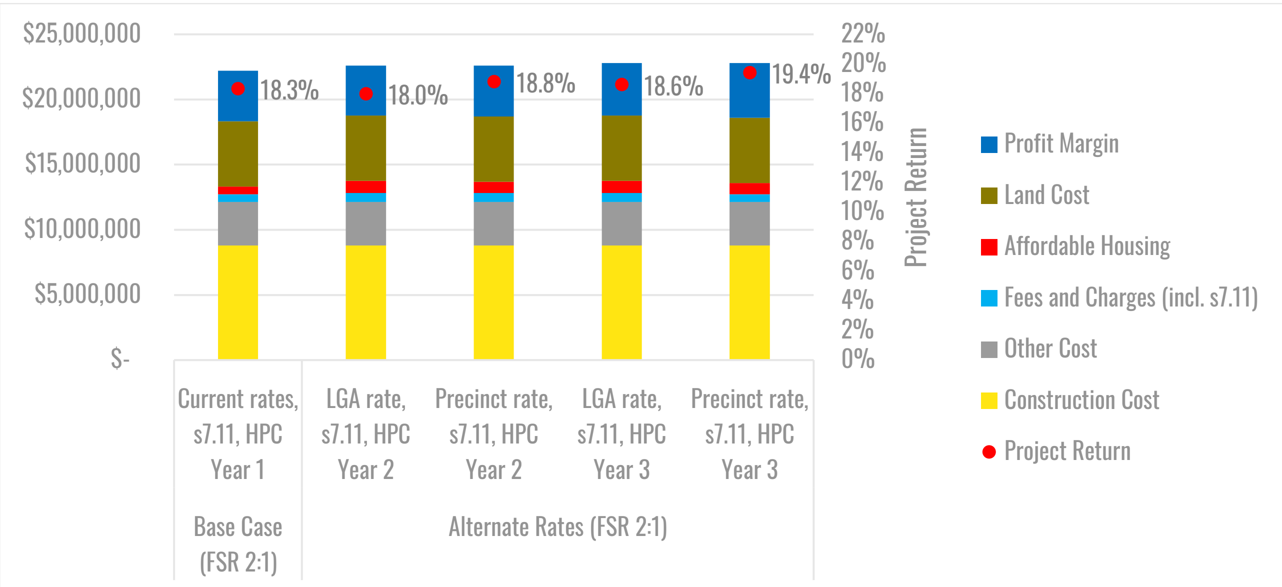
### 4.2.3 West Precinct

Two locations are selected for testing - Glebe and Pyrmont - both for mixed use and residential development.

**Figure 4-6** and **Figure 4-7** illustrate the impact to project return (IRR) in assumed mixed use and residential development in Glebe and Pyrmont. The following observations are made on the impact of alternate rates:

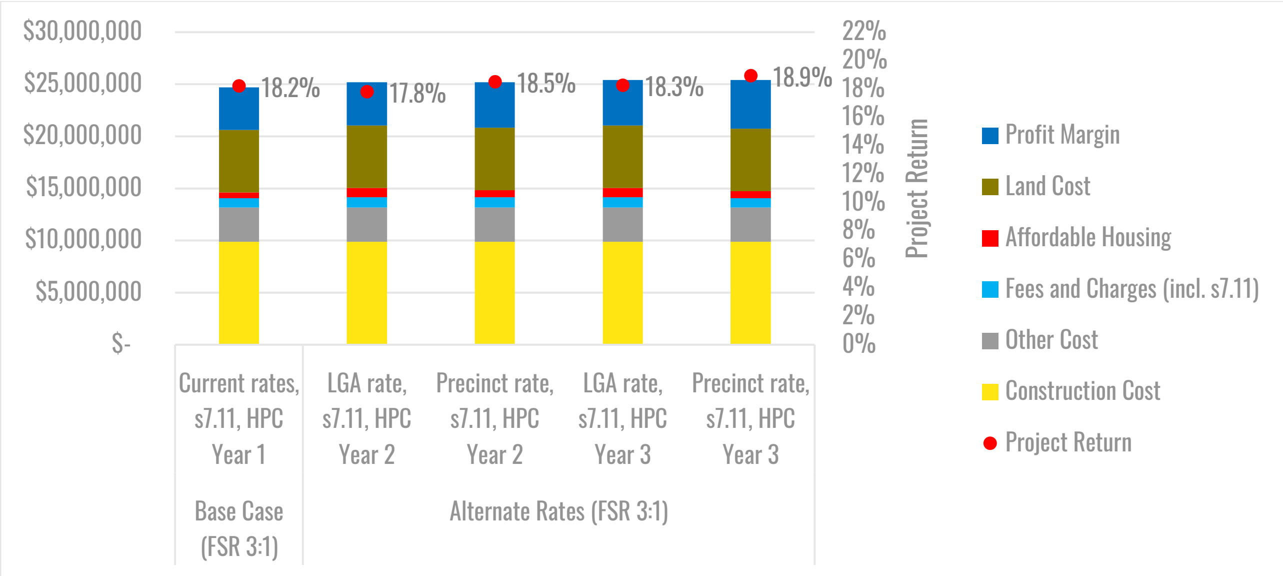
- If alternate Affordable Housing contributions are implemented in full, 2-3 years' of real growth offset the impact of the higher rates.
- Expectedly, tolerance in the higher priced suburb of Pyrmont is better, with project returns preserved by real growth of revenue.
- Despite lower sale prices in Glebe, tolerance to a fully implemented alternate rate is assisted by real revenue growth over 2-3 years.
- There is greater tolerance to a precinct rate ($15,000/sqm) compared to an LGA rate ($19,500/sqm).

**Figure 4-6: Impact of Alternate Contributions (Precinct rate and LGA rate), Glebe**




Source: Atlas

**Figure 4-7: Impact of Alternate Contributions (Precinct rate and LGA rate), Pyrmont**




Source: Atlas

### 4.2.4 South Precinct

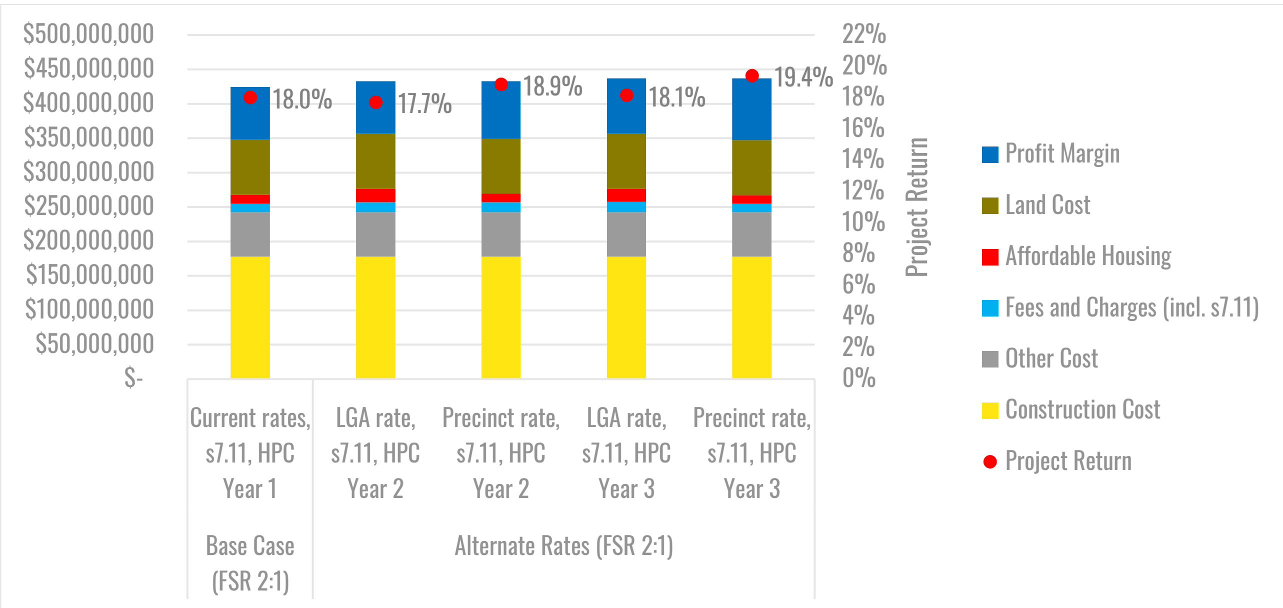
Mixed Use Residential

Two locations are selected for testing - assumed to be developed for mixed use (residential, commercial/ retail) at Waterloo and residential-only at Beaconsfield.

**Figure 4-8** and **Figure 4-9** illustrate the impact to project return (IRR) in assumed mixed use developments in Waterloo and Beaconsfield. The following observations are made on the impact of alternate rates:

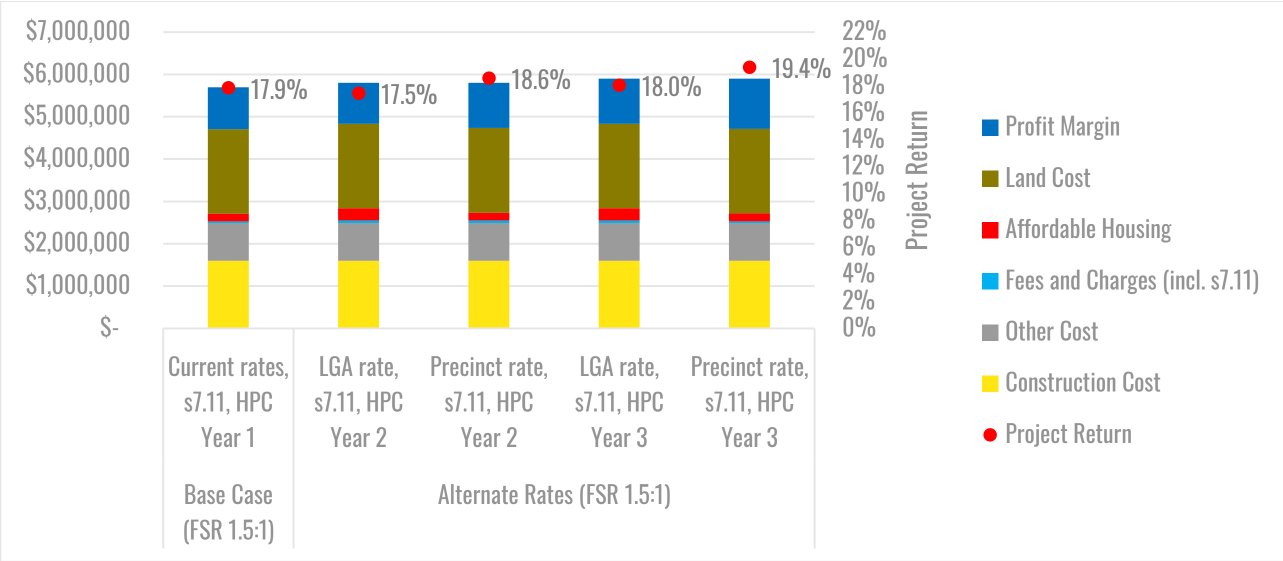
- If alternate Affordable Housing contributions are implemented in full, at least one year of real growth is needed for the impact to feasibility to be offset. This is because the increase represented by the alternate rates is the smallest in the South precinct in relative terms.
- Unsurprisingly, there is much greater tolerance to a precinct rate ($12,500/sqm) than to an LGA-rate ($19,500/sqm).
- By Year 2, the impact of the alternate precinct rate is offset, assisted by the growth of revenue in real terms.

**Figure 4-8: Impact of Alternate Contributions (Precinct rate and LGA rate), Waterloo**




Source: Atlas

**Figure 4-9: Impact of Alternate Contributions (Precinct rate and LGA rate), Beaconsfield**



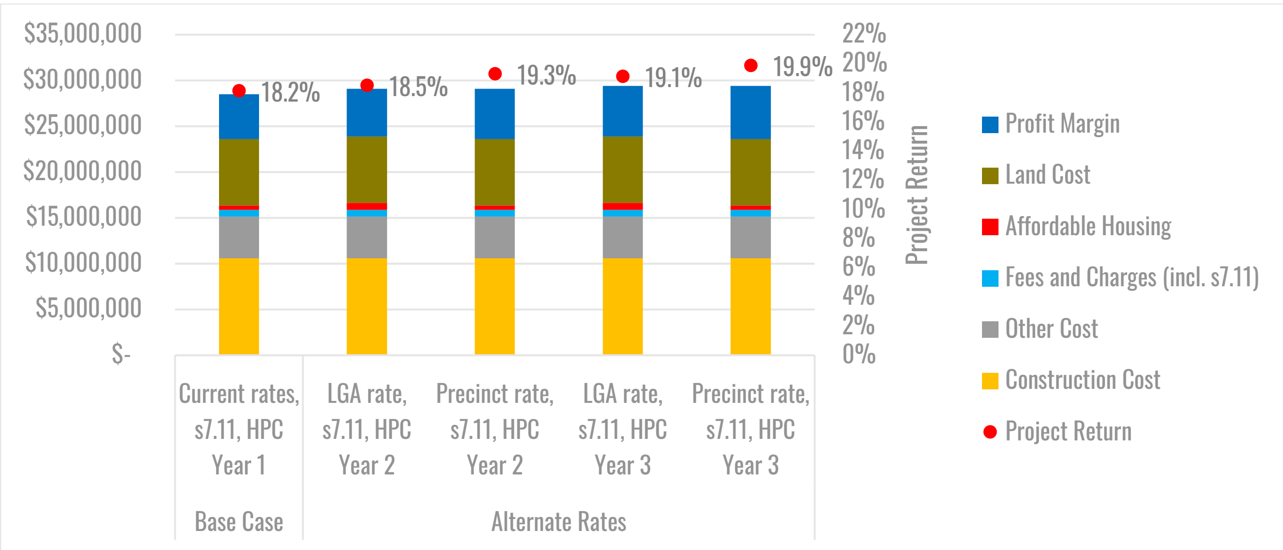

Source: Atlas

<u>**Industrial**</u>

**Figure 4-10** illustrates the impact to project return (IRR) in assumed industrial development in Alexandria.

The impact of the alternate rates is minor and offset by Year 2, given the low percentage contribution requirement (1%).

**Figure 4-10: Impact of Alternate Contributions (Precinct rate and LGA rate), Alexandria**




Source: Atlas

## 4.3 Key Findings and Implications

The analysis in Chapter 3 highlighted the residential price hierarchy across sub-markets wherein housing stock is most expensive to procure/ deliver in the East and Central precincts, followed by the West and South precincts.

Monetary contributions collected under the current dollar rate would enable the City or its nominated CHP to purchase median priced (older) residential strata stock in the LGA. These contributions would not enable purchase or delivery of new residential units given the large price differential between median priced (old) stock and new stock. This misalignment is greatest in the East and Central precincts where new residential stock is increasingly of a luxury, high end nature.

Reflecting the value of new residential units, the Study tested a single LGA rate as well as precinct rates. The impact to feasibility from a single LGA rate is disproportionate in lower value precincts (i.e. West and South) and is considered too imprecise to warrant further consideration. **Table 4-5** lists the alternate rates ($) tested in the sample locations by precinct.

**Table 4-5: Alternate Precinct Rates Tested, Clause 7.13 Contributions^**

| Precinct | Location | Total GFA | Current Clause 7.13 Rates | | | Alternate Clause 7.13 Rates | | |
|---|---|---|---|---|---|---|---|---|
| | | | Dollar Rate ($/sqm)* | Contribution Rate* (%) | Contribution Amount | Dollar Rate ($/sqm)** | Contribution Rate* (%) | Contribution Amount |
| | | | (a) | (b) | (c) = (a x b) | (d) | (e) | (f) = (d x e) |
| Central | City Core | Commercial | $12,294 | 1% | $123 | $17,500 | 1% | $175 |
| | Midtown | Retail, Residential | $12,294 | 1%, 3% | $123, $369 | $17,500 | 1%, 3% | $175, $525 |
| | Southern | Retail, Residential | $12,294 | 1%, 3% | $123, $369 | $17,500 | 1%, 3% | $175, $525 |
| East | Elizabeth Bay | Residential | $12,294 | 3% | $369 | $20,000 | 3% | $600 |
| | Darlinghurst | Residential | $12,294 | 3% | $369 | $20,000 | 3% | $600 |
| West | Glebe | Retail, Residential | $12,294 | 1%, 3% | $123, $369 | $15,000 | 1%, 3% | $150, $450 |
| | Pyrmont | Residential | $12,294 | 3% | $369 | $15,000 | 3% | $450 |
| South | Waterloo | Retail, Residential | $12,294 | 1%, 3% | $123, $369 | $12,500 | 1%, 3% | $125, $375 |
| | Beaconsfield | Retail, Residential | $12,294 | 1%, 3% | $123, $369 | $12,500 | 1%, 3% | $125, 375 |
| | Alexandria | Industrial | $12,294 | 1% | $123 | $12,500 | 1% | $125 |

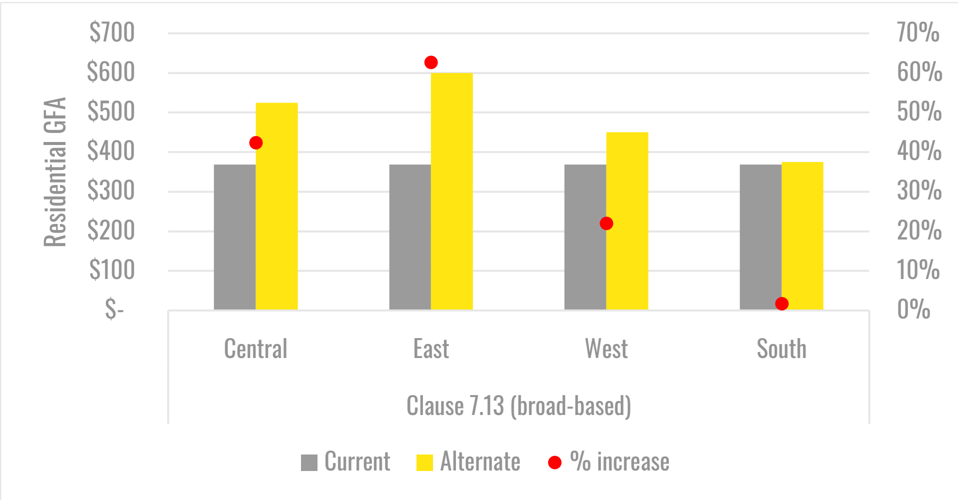
*$11,176/sqm converted to $/sqm GFA by applying generic 110% factor **based on $/sqm GFA

^on total floor area except in Central Sydney and Residual land where the % requirement is applied to new or more intensely used floor area

Source: Atlas

**Figure 4-11** shows a comparison of the current and alternate equivalent monetary contribution amounts when applied to the residential GFA contribution requirement under clause 7.13.

**Figure 4-11: Comparison of Current Clause 7.13 Rates v Alternate Rates by Precinct (Residential)**




Source: Atlas

In percentage increase terms, the alternate rates represent ~42% increase over current rates in the Central precinct and ~63% increase over current rates in the East precinct. This is because current rates are disproportionately misaligned in the Central and East precincts where new residential product has increasingly been of a luxury nature. The current rate in these precincts is equivalent to a fraction (circa 25%) of new residential prices.

The alternate rates represent a more modest increase in West and South precincts - equivalent to increases of 22% and 2% respectively. The misalignment of current rates is not as large in these precincts and therefore the increase to achieve alignment with new residential prices is not as dramatic.

### Phased Introduction

The feasibility testing above (in section 4.2) tested a worst-case scenario. That is:

- Land is purchased at a price that does not reflect the higher obligations of the alternate rates; and
- The alternate rates are implemented in full.

In the above circumstances, the testing shows that a gradual phasing-in over four years (to the beginning of Year 5) allows for real revenue growth to offset the impact to feasibility. The impact on development feasibility arising from this gradual introduction is shown in **Table 4-6** and **Figure 4-12**.

If however, the alternate rates are gradually introduced (according to the timetable in **Table 4-2**), additional modelling finds that ***even if*** land is purchased at a price that does not reflect the alternate higher rates, the impact to feasibility by the end of Year 4 is mitigated.

**Table 4-6: Impact of Alternate Clause 7.13 Dollar Rates ($) on Project Return by Precinct, Phased-in over 4 years**

| Precinct | Location | Notional Development | Year 0 | Year 1 | Year 2 | Year 3 | Year 4 |
|---|---|---|---|---|---|---|---|
| | | | 0% | 0% | 50% | 50% | 100% |
| Central | Midtown | Mixed use residential | 18.0% | 18.3% | 18.3% | 18.6% | 18.7% |
| | Southern | Mixed use residential | 18.0% | 18.4% | 18.3% | 18.7% | 18.8% |
| | City Core | Commercial-only | 18.0% | 18.4% | 18.9% | 19.3% | 19.6% |
| East | Elizabeth Bay | Mixed use residential | 20.3% | 20.9% | 21.2% | 21.9% | 21.6% |
| | Darlinghurst | Mixed use residential | 18.5% | 19.1% | 19.1% | 19.7% | 19.8% |
| West | Glebe | Mixed use residential | 18.0% | 19.1% | 19.1% | 19.8% | 20.0% |
| | Pyrmont | Mixed use residential | 18.0% | 18.5% | 18.6% | 19.2% | 19.5% |
| South | Waterloo | Mixed use residential | 18.0% | 18.6% | 19.0% | 19.5% | 20.0% |
| | Beaconsfield | Medium density residential | 18.0% | 18.6% | 18.9% | 19.5% | 19.4% |
| | Alexandria | Mixed business/ enterprise | 18.3% | 18.9% | 19.4% | 20.0% | 20.5% |

Source: Atlas

Finally, in circumstances where the market has advanced notice and due diligence and site negotiations result in land being purchased at a price that is reflective of the alternate rates, any adverse impact to feasibility would be avoided.

The phased introduction of any alternate Affordable Housing rates would allow sites already purchased to be progressed for development. It would also ensure the market pays an appropriate price for land opportunities. The Study is however, cognisant of the fact that landowner expectations will adjust no further than existing use values. If a site is worth less as a development opportunity (and worth more in its existing 'as is' use), development will not be the highest and best use and will therefore not occur (regardless of contributions).

There are numerous instances across the Study Area where sites are worth more in their existing use, whereby it is not a commercial proposition for those existing buildings to be redeveloped.

The Study is concerned with ensuring development and renewal of sites is still able to occur if there is a commercial proposition for them to redevelop.

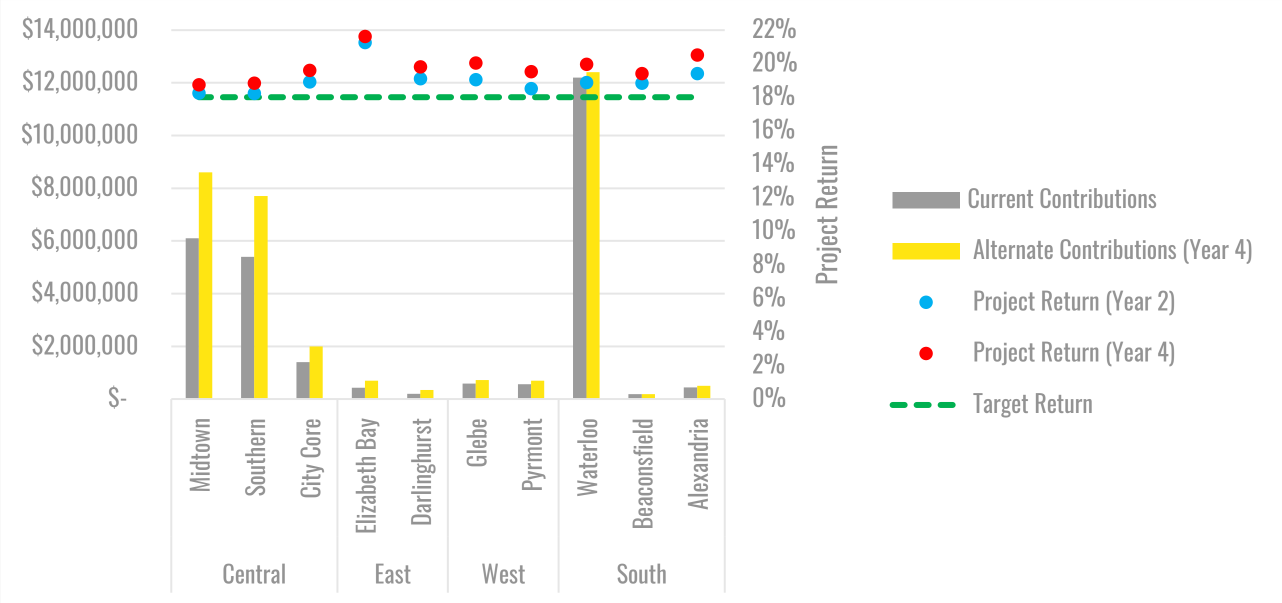
### Impact on Development Feasibility

If the cost of land is not given the opportunity to adjust (i.e. the price paid for land does not account for the alternate rates), the testing shows that the combination of gradual introduction ***and*** real revenue growth generally offset the impact.

If the cost of land is given the opportunity to adjust, i.e. the price paid for land is lower, then the combination of the lower cost of land, gradual introduction ***and*** real revenue growth will completely offset any impact.

**Figure 4-12** illustrates the impact of the phased-in alternate precinct dollar rates (at clause 7.13 rates of 1% and 3%) on the notional development sites tested and the resultant project returns in Year 2 (50% transition) and in Year 4 (100%, fully implemented).

**Figure 4-12: Impact of Alternate Clause 7.13 Dollar Rates ($) by Precinct**




Source: Atlas

Feasibility testing finds that the impact of alternate contribution rates (set at the precinct level) can be ameliorated by a gradual introduction of the new dollar rates and natural market growth over time.

# 5. Review of Planning Proposal Contribution Rates

## 5.1 Clause 7.13B Contributions

Clause 7.13B identifies an additional contribution requirement where land is rezoned and there is an increase in the FSR ('**Planning Proposal land**'). Schedule 6C in the LEP specifies the percentage contribution required when land is rezoned.

The Program provides for Affordable Housing contributions to be satisfied in-kind (completed dwellings that are dedicated/ gifted) or as equivalent monetary contributions. The equivalent monetary contribution is calculated on new floor area[4]:

- Central Sydney - 13% on new floor area.
- South and West precincts - 12% on new floor area.
- East precinct - 21% on new floor area.

The difference in % contribution rates between precincts acknowledges the price hierarchy that exists between precincts.

### Alternate Dollar Rates and % Rates

Chapter 4 tested alternate dollar rates - a single LGA-wide rate and four precinct rates which were multiplied against the % rates specified in Clause 7.13. The single LGA rate resulted in a disproportionate feasibility impact on lower value precincts and was considered too imprecise to warrant further consideration. The four precinct rates strike a balance between simplicity and precision against impact on development feasibility.

This chapter tests alternate clause 7.13B contributions at the same dollar rates by precinct as those in Chapter 4. The testing in this chapter solves for an appropriate % rate for Planning Proposal land that could accompany the alternate dollar rates.

**Table 5-1** shows current rates (dollar rates and precinct % rates) against the set of alternate dollar rates tested by precinct.

**Table 5-1: Current and Alternate Rates ($/sqm GFA), Planning Proposal Land**

| Precinct | Current Rates | | Alternate Rates | | |
|---|---|---|---|---|---|
| | $ rate | % rate | Precinct $ rate | Current % rate | % rate |
| Central | $12,294/sqm | 13% | $17,500/sqm | 13% | To be solved |
| East | $12,294/sqm | 21% | $20,000/sqm | 21% | To be solved |
| West | $12,294/sqm | 12% | $15,000/sqm | 12% | To be solved |
| South | $12,294/sqm | 12% | $12,500/sqm | 12% | To be solved |

Source: Atlas

### Worst Case Scenario Tested

Similar to the tested scenarios in section 4.2, this section also tests a worst-case scenario. That is, land is purchased at a price that does not reflect the application of alternate rates. The testing examines if a gradual phasing-in over four years allows for real revenue growth to offset the impact to feasibility in a planning proposal.

Revenue levels are similarly assumed to be flat in Year 1 (recognising the current economic headwinds and inflationary cost environment). In Year 2 onwards a modest 1% per annum growth in revenue assumptions (net of cost) is assumed.

### Measure of Feasibility Impact

The objective of the testing is to assess if, after Affordable Housing contributions, hurdle rates are within acceptable range.

Key performance indicators relied upon are the hurdle rates of development margin[5] and project IRR[6]. Benchmark hurdle rates and their 'feasible' ranges by land use typology were indicated in **Table 4-3**. If a development achieves a project return of at least 18% and a development/ profit margin of at least 20%, it is considered to be feasible.

[4] The floor area achieved/ enabled by the Planning Proposal
[5] Development Margin is profit divided by total costs (including selling costs)
[6] Project IRR is the project return on investment, the discount rate where the cash inflows and cash outflows are equal

## 5.2 Tested Scenarios

The Study develops a series of development scenarios to test the impact of alternate Clause 7.13B contribution rates. **Table 5-2** lists existing land use zones and planning proposal scenarios in select locations for testing alternate clause 7.13B rates.

**Table 5-2: Notional Development Scenarios, Planning Proposals**

| Precinct | Suburb | Site Area (sqm) | Zone | Notional Development and Yields | Base Density | Planning Proposal |
|---|---|---|---|---|---|---|
| Central | Sydney CBD | 2,000 | SP5 | Commercial, 38,500sqm commercial GFA | FSR 13.75:1 | FSR 19.25:1 |
| | Sydney CBD | 2,000 | SP5 | Mixed use residential, 23,120sqm GFA | FSR 10.6:1 | FSR 11.6:1 |
| | Sydney CBD | 2,000 | SP5 | Mixed use residential 19,600sqm GFA | FSR 8.8:1 | FSR 9.8:1 |
| East | Elizabeth Bay | 470 | R1 | RFB (part refurb, part development), 1,410sqm GFA | FSR 2.5:1 | FSR 3.0:1 |
| | Darlinghurst | 400 | MU1 | Mixed use residential, 1,120sqm GFA | FSR 2.4:1 | FSR 2.8:1 |
| West | Glebe | 800 | MU1 | Mixed use residential, 2,000sqm GFA | FSR 2.0:1 | FSR 2.5:1 |
| South | Waterloo | 16,900 | MU1 | Mixed use residential, 43,000sqm GFA | FSR 2.0:1 | FSR 2.5:1 |

Source: Atlas

As a general premise, planning uplift is generally accompanied by financial upside (greater revenue potential, land value and profit). It is from this financial upside that a site has the capacity to contribute to additional Affordable Housing contributions.

Various percentage rates are iteratively tested with the precinct dollar rates - a 20% rate (residential) is found to be broadly tolerable across precincts. In the following sections, a series of graphs illustrates the impact of alternate 7.13B contributions at precinct dollar rates multiplied with 20% on additional residential GFA compared against current (dollar and %) rates.

### 5.2.1 Central Precinct

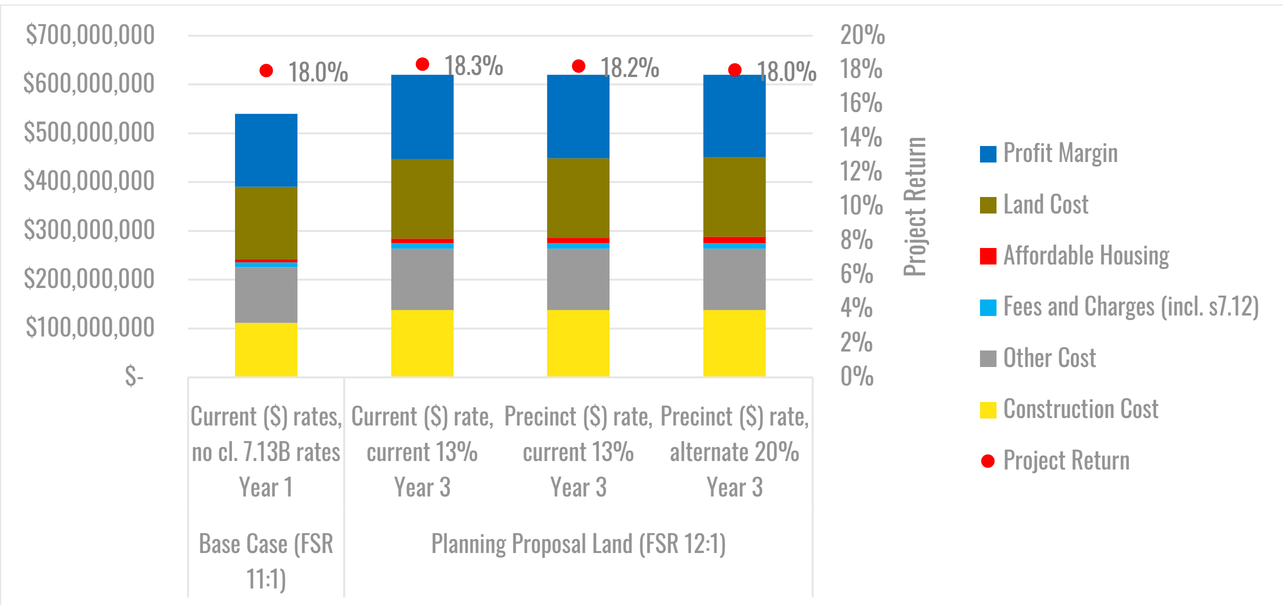
Three notional planning proposal sites are tested - additional residential FSR in two mixed use developments and additional commercial FSR in a commercial-only development.

<u>Mixed Use Residential</u>

**Figure 5-1** illustrates the impact to project return (IRR). The following comments are made on impact of the alternate rates:

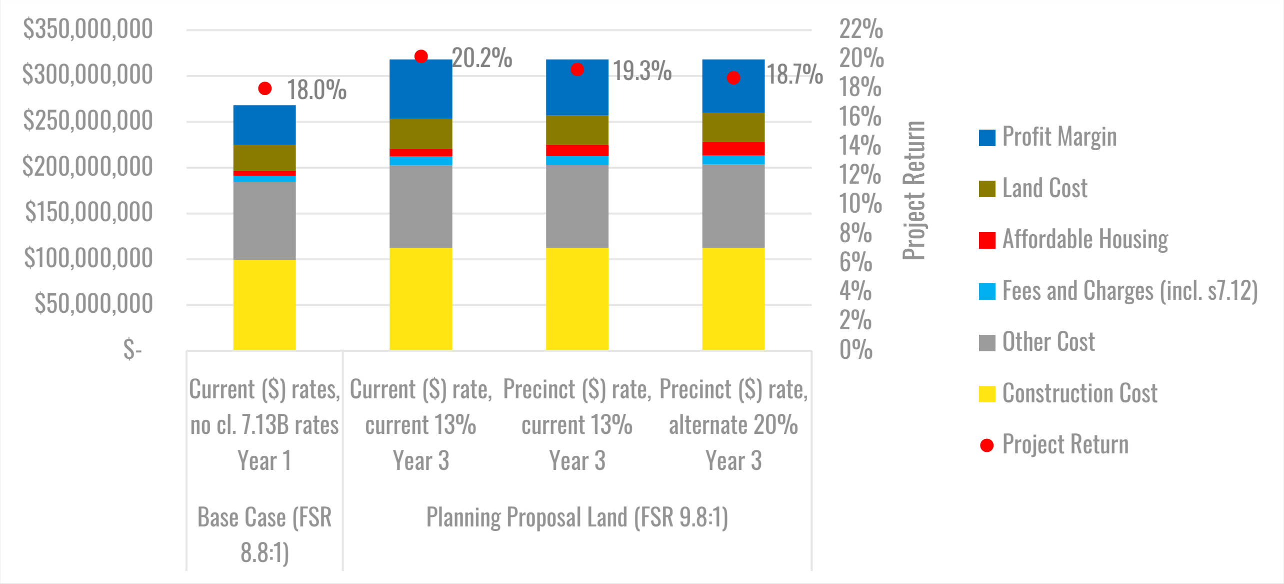
- At present, a 13% contribution of additional residential GFA is required in Central precinct in a Planning Proposal. The testing applies an alternate percentage rate of 20% to the precinct rate of $17,500/sqm.
- If fully implemented by Year 3, the impact of the alternate rates is offset.

**Figure 5-1: Impact of Alternate Contributions (Precinct rate), Midtown precinct**




Source: Atlas

**Figure 5-2: Impact of Alternate Contributions (Precinct rate), Southern precinct**




Source: Atlas

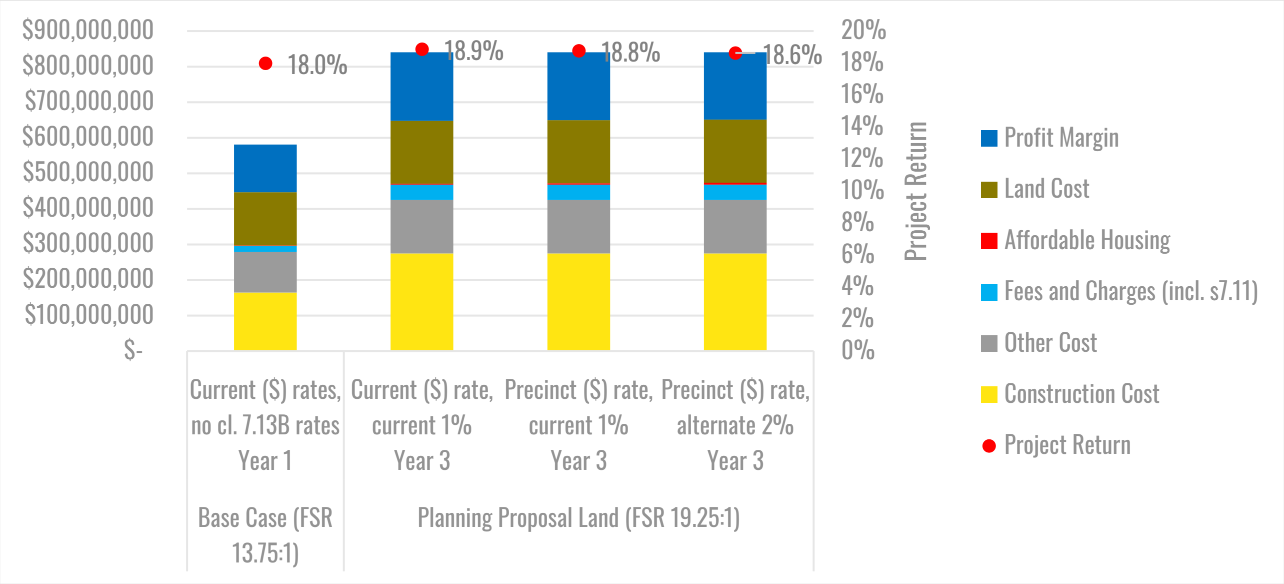
<u>Commercial</u>

**Figure 5-3** illustrates the impact to project return in a commercial-only development in Sydney CBD.

At present, there is no additional Affordable Housing contribution requirement on additional non-residential GFA enabled by a Planning Proposal, only the 1% required under clause 7.13. The testing applies an additional 1% on the additional GFA (equivalent to 2%, including the 1% under clause 7.13).

If fully implemented by Year 3, the impact of the additional contributions rates is offset, assisted by the growth of revenue in real terms.

**Figure 5-3: Impact of Alternate Contributions (Precinct rate), City Core precinct**



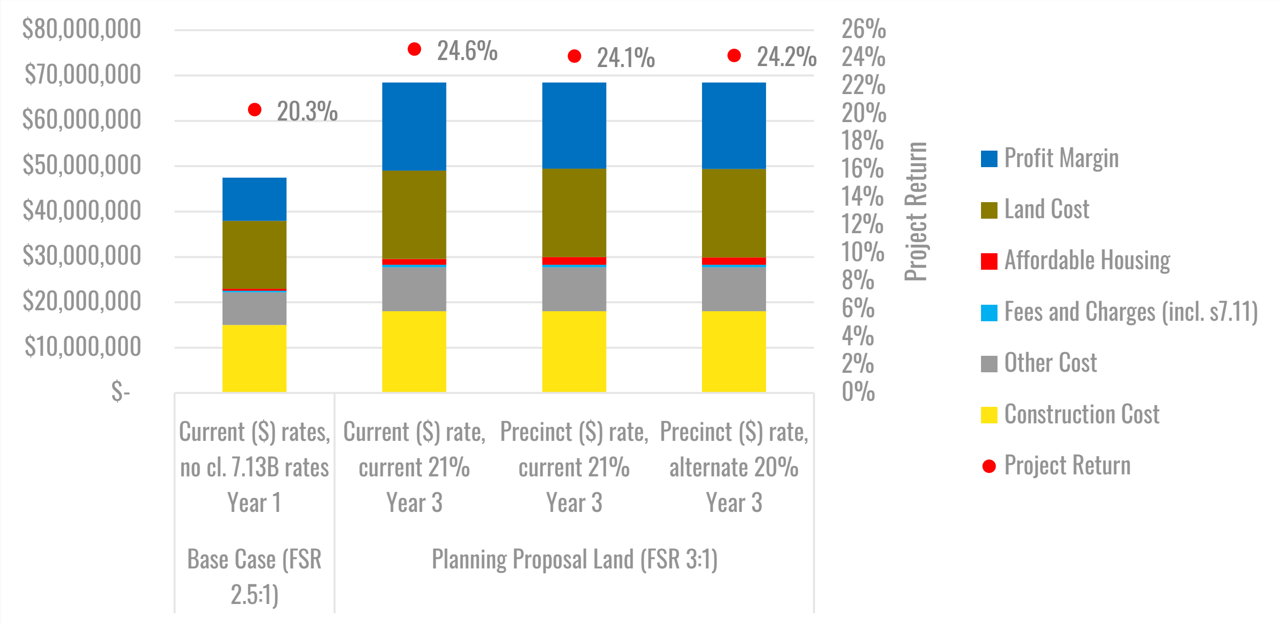

Source: Atlas

### 5.2.2 East Precinct

Planning proposals for sites in Elizabeth Bay and Darlinghurst are assumed to seek increased residential FSR.

**Figure 5-4** illustrates the impact to project return at the precinct rate and alternate 20% rate in a notional development in Elizabeth Bay, compared to the current (dollar and %) rates. The testing shows that the alternate contribution rates are comfortably tolerated when fully implemented.

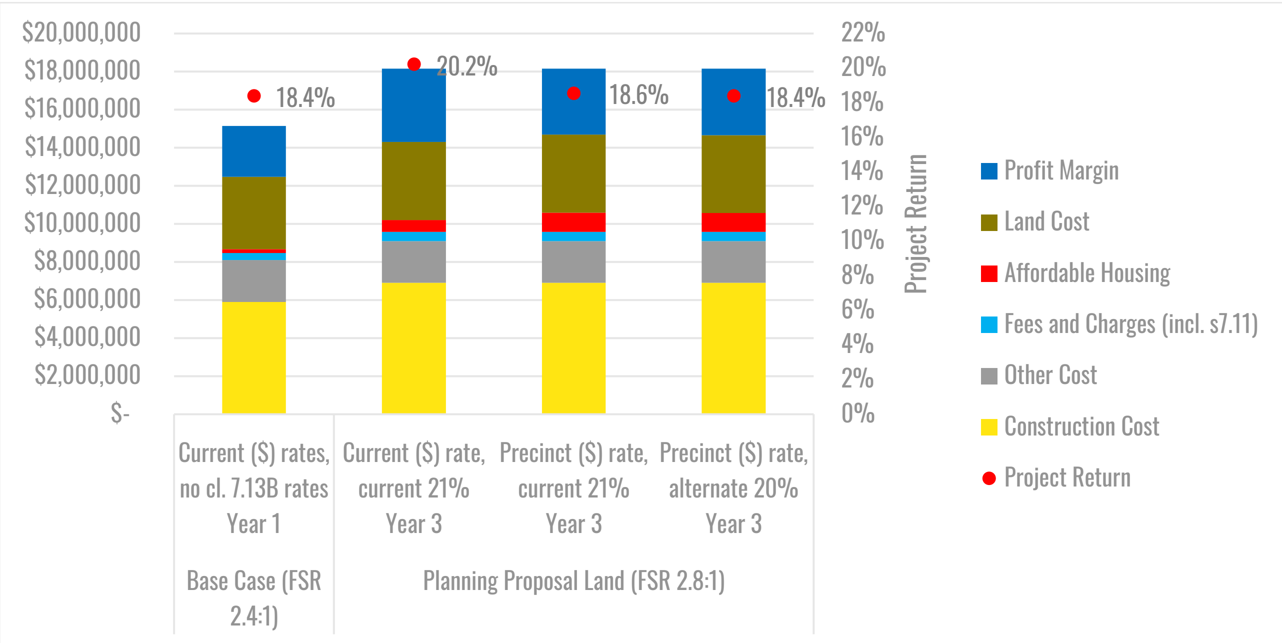
**Figure 5-4: Impact of Alternate Contributions (Precinct rate), Elizabeth Bay**




Source: Atlas

**Figure 5-5** shows the impact to project return at the precinct rate and alternate 20% rate in a notional development in Darlinghurst. It also shows that the alternate contribution rates are comfortably tolerated when fully implemented.

**Figure 5-5: Impact of Alternate Contributions (Precinct rate), Darlinghurst**




Source: Atlas

Similar to the testing in Chapter 4, the development in Elizabeth Bay is a part adaptive reuse/ refurbishment of an existing building while the one in Darlinghurst is a redevelopment. Both are assumed to seek additional FSR in a planning proposal:

- At present, Planning Proposal land in the East precinct is required to contribute 21% (which includes 3% under clause 7.13) of the additional residential GFA to Affordable Housing. The testing applies 20% (which also includes 3% under clause 7.13) to the precinct rate of $20,000/sqm.
- In both instances, the alternate contribution rates are feasibly tolerated.

The testing assumes the worst-case scenario - i.e. that the price paid for land does not account for the higher contribution rates. If the market was notified in advance and had the opportunity to pay an appropriate price for land, there would conceivably be no impact on feasibility.

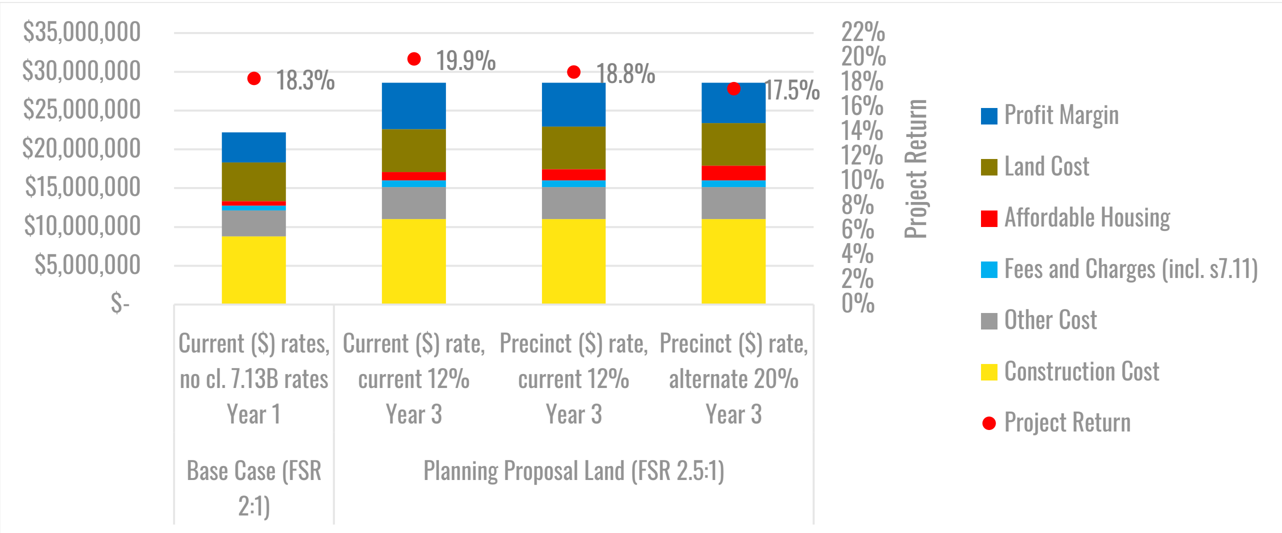
### 5.2.3 West Precinct

Planning proposals for a site in Glebe is assumed to seek increased residential FSR.

**Figure 5-6** illustrates the impact to project return in an assumed mixed use development in Glebe. The following observations are made on the impact of alternate rates:

- At present, Planning Proposal sites in the West precinct are required to contribute 12% (which includes 3% under clause 7.13) of the additional residential GFA to Affordable Housing. The testing applies 20% (which also includes 3% under clause 7.13) to the precinct rate of $15,000/sqm.
- If fully implemented by Year 3, the impact of the alternate rates is almost offset, assisted by the growth of revenue in real terms.

**Figure 5-6: Impact of Alternate Contributions (Precinct rate), Glebe**




Source: Atlas

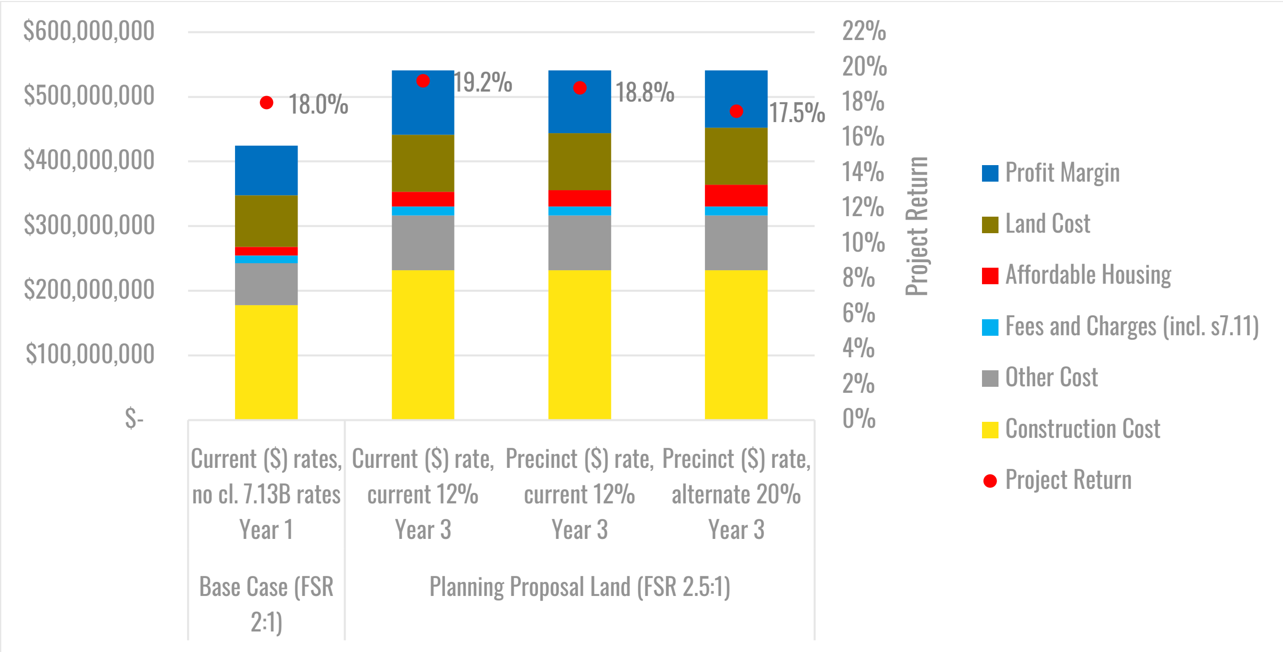
### 5.2.4 South Precinct

A planning proposal for a site in Waterloo is assumed to seek increased residential FSR.

**Figure 5-7** illustrates the impact to project return in an assumed mixed use development in Waterloo. The following observations are made on the impact of alternate rates:

- At present, Planning Proposal sites in the South precinct are required to contribute 12% (which includes 3% under clause 7.13) of the additional residential GFA to Affordable Housing. The testing applies 20% (which also includes 3% under clause 7.13) to the precinct rate of $12,500/sqm.
- If implemented fully by Year 3, the impact of the alternate rates is almost offset, assisted by the growth of revenue in real terms.

**Figure 5-7: Impact of Alternate Contributions (Precinct rate), Waterloo**




Source: Atlas

## 5.3 Key Findings and Implications

In Chapter 4 the Study tested Clause 7.13 alternate dollar rates (while retaining existing percentage contribution rates).

Chapter 5 tests Clause 7.13B contributions by applying the same precinct dollar rates as those tested for Clause 7.13 (Chapter 4). The testing then solved for percentage rates that balance delivery of housing outcomes and feasibility impact.

**Table 5-3** lists the alternate contribution rates tested ($ and %) in the sample locations by precinct, compared against current Clause 7.13B rates ($ and %). The approach moves away from having fixed dollar ($) and differential percentage (%) rates to having differential dollar rates by precinct with a standard percentage (%) rate.

**Table 5-3: Alternate Rates Tested, Planning Proposal Land**

| Precinct | Location | Additional GFA | Current Clause 7.13B Rates | | | Alternate $ Rates, Current % Rates | | | Alternate Rates ($ and %) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Dollar Rate ($/sqm) | % Rate* | Contribution Amount | Dollar Rate ($/sqm) | % Rate* | Contribution Amount | Dollar Rate ($/sqm) | % Rate* | Contribution Amount |
| | | | (a) | (b) | (c) = (a x b) | (d) | (e) | (f) = (d x e) | (g) | (h) | (i) = (g x h) |
| Central | City Core | Commercial | n/a | n/a | $- | $17,500 | n/a | $- | $17,500 | 2% | $350 |
| | Midtown | Residential | $12,294 | 13% | $1,598 | $17,500 | 13% | $2,275 | $17,500 | 20% | $3,500 |
| | Southern | Residential | $12,294 | 13% | $1,598 | $17,500 | 13% | $2,275 | $17,500 | 20% | $3,500 |
| East | Elizabeth Bay | Residential | $12,294 | 21% | $2,582 | $20,000 | 21% | $4,200 | $20,000 | 20% | $4,000 |
| | Darlinghurst | Residential | $12,294 | 21% | $2,582 | $20,000 | 21% | $4,200 | $20,000 | 20% | $4,000 |
| West | Glebe | Residential | $12,294 | 12% | $1,475 | $15,000 | 12% | $1,800 | $15,000 | 20% | $3,000 |
| South | Waterloo | Residential | $12,294 | 12% | $1,475 | $12,500 | 12% | $1,500 | $12,500 | 20% | $2,500 |

*applied on new floor area and is inclusive of Clause 7.13 contribution (1% or 3% whichever the case may be)
Source: Atlas

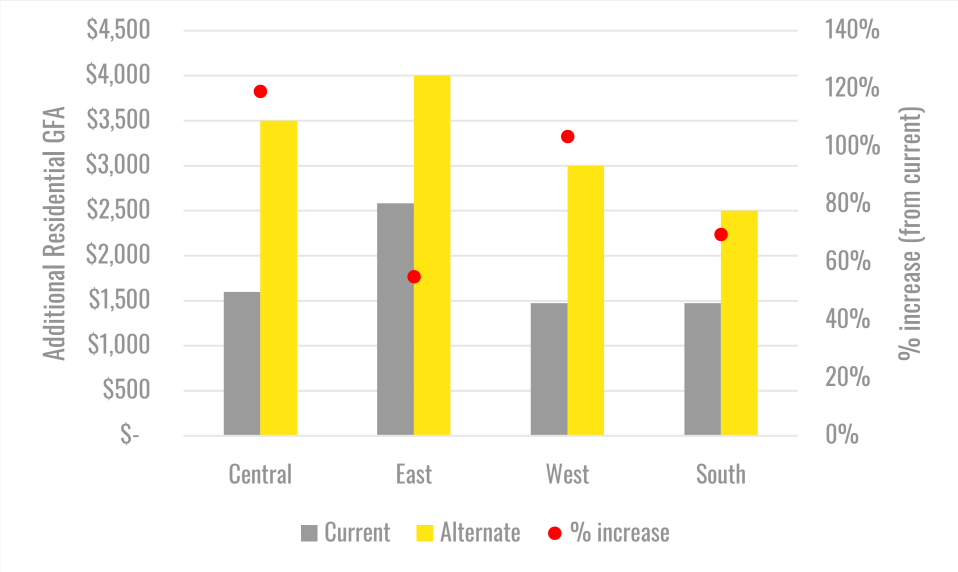
The percentage rates tested to be appropriate are:

- 20% (applied to residential floor area achieved in a Planning Proposal) and;
- 2% (applied to commercial floor area achieved in a Planning Proposal in Central Sydney).

The move away from differential percentage rates to a standard percentage rate *and* from a flat dollar rate to differential dollar rates (by precinct) is intended to reflect the residential pricing hierarchy across the LGA. The approach seeks to achieve an equitable outcome across the LGA - that regardless of location, Planning Proposal land make the same proportion (%) of Affordable Housing contributions per additional GFA enabled by a planning proposal.

**Figure 5-8** shows a comparison of the current and alternate equivalent contribution amounts ($/sqm) when additional residential GFA is achieved via a planning proposal.

**Figure 5-8: Comparison of Current Clause 7.13B Rates v Alternate Rates by Precinct (Residential)**




Source: Atlas

In percentage increase terms, the alternate rates represent ~119% increase over current rates in the Central precinct and ~55% increase over current rates in the East precinct. This is because current rates are disproportionately misaligned in the Central and East precincts where new residential product has increasingly been of a luxury nature. Current rates in these precincts are equivalent to a fraction (circa 25%) of new residential prices.

The alternate rates represent a more modest increase in West and South precincts - equivalent to increases of 103% and 69% respectively. The misalignment of current rates is not as large as in these precincts and therefore the increase to achieve alignment with new residential prices is not as dramatic.

## Phased Introduction

The purchase of land with the intention of advancing a planning proposal to amend planning controls carries risk. A proponent would be aware of the planning risk associated with a planning proposal, the technical studies required and the need to demonstrate strategic and site-specific merit. There would be requirement to offset any environmental impact and also a requirement to contribute to public benefit, executed in a planning agreement.

Clause 7.13B and the Program provide a proponent with detail on the Affordable Housing requirements on Planning Proposal land, allowing a proponent to account for these along with all the other requirements and cost associated with a planning proposal. If a proponent did not have the risk appetite for a planning proposal, they would not progress with one, being able to progress under existing controls instead, as a standard development application on a development site.

The phased introduction of Clause 7.13B contribution rates (for Planning Proposal land) would allow planning proposals already in train to be completed and eventually progressed for development. It would also ensure the market pays an appropriate price for land opportunities and that landowner expectations have the opportunity to gradually adjust.

Given the risk profile of planning proposals and Planning Proposal land, in that they are not an as-of-right entitlement, they carry risk and uncertain outcomes, a similar phased introduction of clause 7.13 contributions is considered appropriate.

**Worst-case Scenario**

In a worst-case scenario (i.e. the price paid for land is not reflective of the contributions), the feasibility impact is greatest in the East precinct where the increase in contributions is greatest. With real revenue growth, the impact is ameliorated over time. If the price paid for land is reflective of the new contributions, impact to feasibility can be mitigated/ avoided.

Irrespective of the price paid for land, planning proposals are in and of themselves risky. Proponents of planning proposals would be aware that amendments to planning controls sought are not a given. In contrast, development applications have less planning risk attached to them - proponents are able to better predict a development outcome and statutory fees and charges (including Affordable Housing contributions).

**Impact on Development Feasibility**

Similar to the clause 7.13 contributions, if the cost of land is not given the opportunity to adjust (i.e. the price paid for land does not account for the alternate rates), the testing shows that the combination of gradual introduction ***and*** real revenue growth generally offset the impact.

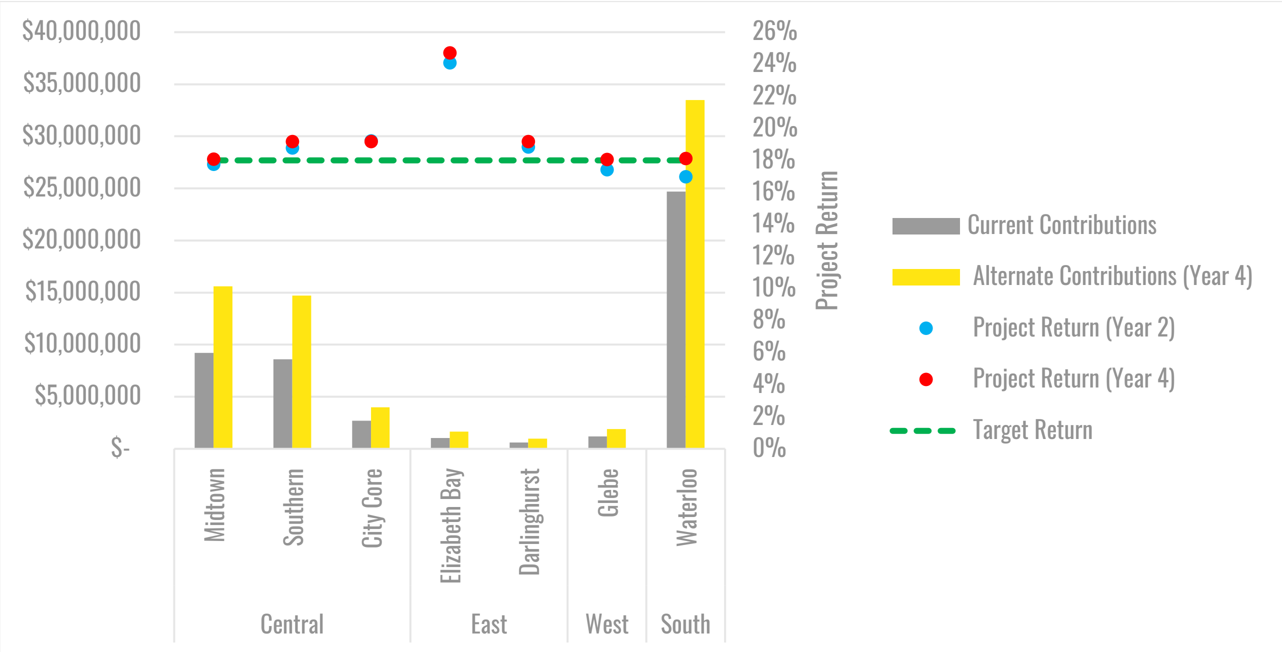
If the cost of land is given the opportunity to adjust, i.e. the price paid for land is lower, then the combination of the lower cost of land, gradual introduction ***and*** real revenue growth will completely offset any impact.

**Figure 5-9** illustrates the impact of the phased-in alternate 7.13B percentage contribution rates (with the alternate precinct dollar rates) and the resultant project returns in Year 2 (50%) and in Year 4 (100%, fully implemented)

The alternate 7.13B percentage contribution rates (applied to additional GFA or new floor area) are:

- Residential in all precincts - 20% (inclusive of clause 7.13 contribution of 3%).
- Commercial in Central Sydney - 2% (inclusive of clause 7.13 contribution of 1%).

**Figure 5-9: Impact of Alternate Clause 7.13B Contribution Rates ($ and %) by Precinct**




Source: Atlas

The testing assumes that public benefits with a cost implication (e.g. construction of public access laneway, embellishment of public open space) will not be simultaneously required of Planning Proposal land - in line with current guidance in the Program. Should contributions to other public benefit items be required (to be executed in a planning agreement), the Affordable Housing requirement should be reduced.

# 6. Considerations for Implementation of Review

## 6.1 Development Feasibility

The Study acknowledges that a number of headwinds currently make it very challenging for development to be feasible. This is a result of the cumulative influence of high existing-use values (and therefore the cost to consolidate a development site), elevated construction costs and relatively soft end sale values of completed product.

As a basic premise, for any (additional) contributions to be viable, development needs to be feasible in the first instance. If development is not feasible (regardless of contributions), the development will not occur. Therefore if development is not feasible (whether due to lack of market demand or high cost of land), the issue of Affordable Housing contributions is moot.

### Structural Trends

The development pipeline has been severely constrained by the cumulative effects of escalating construction costs, labour shortages, rising interest rates and softer demand. In residential markets, softer demand has been driven by rising interest rates and reduced borrowing capacity. In commercial office markets, softer demand has been driven by tenant retreat and a preference shift away from secondary quality space.

The cost of construction has been under significant upward pressure in the last 24-36 months. Some industry commentators expect cost rate escalations to return to trend from 2025. This does not mean construction cost prices will return to their previous levels, merely that annual cost rises will be circa 3%-4%, down from their current rises in excess of 10% per annum.

The imposition of alternate Affordable Housing contributions today is unlikely to be tolerated by many developments, given the factors aforementioned. As the market and economic environment begins to stabilise, the phased introduction of Affordable Housing contributions would give development markets the opportunity to adjust gradually.

### Tolerance to Alternate Contribution Rates

The impacts to development feasibility from implementation of the alternate Clause 7.13 contribution rates is generally tolerated when phased-in over four years from adoption of the Program (50% in Year 2 and fully implemented by Year 4).

The Study highlights that the feasibility testing examines the 'worst case' where land has already been purchased for development and the price paid did not contemplate the new Affordable Housing contributions.

If the cost of land is given the opportunity to adjust, i.e. the price paid for land is lower, then the combination of the lower cost of land, gradual introduction ***and*** real revenue growth will completely offset any impact. Even if the price paid for land does not account for the alternate rates, the testing shows that the combination of gradual introduction ***and*** real revenue growth generally offset the impact.

The contribution impact testing makes the following critical observations:

- The phasing-in of the alternate Clause 7.13 precinct rates ($ rates) in Year 2 at 50% results in a relatively minor impact on feasibility. In subsequent years, natural market growth helps to offset any impact as the alternate rates are assumed to be fully implemented by Year 4.
- The phasing-in of the alternate Clause 7.13B precinct rates ($ rates and % rates) in Year 2 at 50% results in a relatively minor impact on feasibility. In subsequent years, natural market growth helps to offset any impact as the alternate rates are assumed to be fully implemented by Year 4.

The gradual implementation of the alternate rates is generally tolerated by development (in circumstances where land has already been purchased).

With notice, developers have the opportunity to pay a price for land that reflects the various fees and charges that are payable. The rationale for gradual implementation is so that land values (and landowner expectations) adjust gradually.

If developers pay a price for land that is reflective of the various contribution obligations, development can tolerate the alternate rates and no phasing-in would be required.

## 6.2 Impacts on Development Supply

The Study is cognisant of the importance of ensuring any alternate Affordable Housing contribution rates should not undermine future supply of floorspace.

Though the Study acknowledges that site-specific feasibility impacts are not the issue in question; feasibility impact is relevant for policy decisions where it threatens development supply and achievement of planning objectives. The impact on feasibility is only relevant in this context.

The impact on feasibility and ultimately the impact on development supply is a nuanced issue. Negative impacts are more likely to be tolerated in a rising market and/ or if planning or amenity uplifts can be expected. Supportive market conditions help to mitigate any impact, allowing the contributions to be absorbed within 'naturally-occurring' price increases.

In a flat market, developers may still proceed with development and accept the increase in contributions subject to acceptable reduction in development margin. If the impact to development margin is not acceptable (making the project no longer bankable), the development will not proceed.

In the Study Area, dwelling projections indicate that in the next 2-5 years), as a proportional share of total dwellings, a large proportion is expected to occur in the South precinct where residential product is generally positioned at the middle end of the market. The alternate Clause 7.13 rates are approx. 12% higher than current rates in the South precinct. Here, if advance notice was provided and market participants have the opportunity to adjust to a gradual implementation of new Affordable Housing charges, the nature of the observed feasibility impacts could be ameliorated.

The impact to feasibility is expected to be greatest in the East precinct, where the alternate rates are almost 63% higher than current dollar rates. Given the relatively minor scale of future supply and the pursuit of small-scale development/ adaptive reuse, on balance, any feasibility impact is not expected to affect the large scale future supply of floorspace.

## 6.3 Policy Considerations

If contributions to Affordable Housing were made in-kind (as completed dwellings within a development), on the face of it, the objects of the Program would be satisfied. Dedication of completed dwellings does not always result in the optimum Affordable Housing outcome (discussed at greater length below).

The move away from a flat dollar rate to differential dollar rates (by precinct) is intended to reflect the residential pricing hierarchy. The approach seeks to achieve an equitable outcome across the LGA - that regardless of location, developments make the same proportional contribution (%) to Affordable Housing. When fully implemented, this would represent a planning obligation that is equitable, with contribution dollar amounts reflective of the price and value hierarchy that exists.

The equivalent monetary contribution is currently calculated based on the median strata dwelling price in the Sydney LGA. The Study shows that the price levels of existing dwelling stock is lower than newly completed stock, which is unsurprising as buildings depreciate due to physical and functional obsolescence. Monetary contributions collected under the current rates would facilitate purchase of median priced (older) residential strata stock in the LGA, but not new residential units.

The Study found a price spread for existing median priced strata unit is within a relatively 'tight' range - $8,000/sqm GFA to $14,000/sqm GFA. The spread for new residential units is however much wider - $12,500/sqm GFA to $45,000/sqm GFA due to the increasing prevalence of luxury product in some markets (in particular the East and Central precincts).

Implementation of alternate rates would better align monetary contributions to the delivery of new housing outcomes.

<u>Clause 7.13 Contributions</u>

A clause 7.13 contributions amount is currently calculated as follows:

- For in-kind contribution (completed dwellings) - the percentage contribution rate specified in clause 7.13, being 3% of floor area for residential development and 1% of floor area for non-residential development.
- For monetary contribution - the product of the percentage contribution rate in clause 7.13 and the dollar rate (which is based on the LGA median strata dwelling price) and is currently inform across the LGA.

The Study recommends amending the dollar rate to a precinct rate that reflects the value of new residential units. There would be no change to the percentage contribution rate in clause 7.13 - 1% (non-residential) and 3% (residential).


Atlas ECONOMICS

The Study additionally recommends specifying dollar rates based on $/sqm GFA (not $/sqm TFA). This is because:

- Market sales activity is recorded/ quoted in $/sqm internal terms (generally excluding balconies, car spaces, storage areas, etc.). These $/sqm internal rates could be converted to $/sqm GFA.
- It would simplify the development assessment process where GFA is a lodged metric of development.

The majority of development (housing) supply in the Study Area is understood to result from development applications rather than from planning proposals. A gradual implementation period would avoid 'shocking' the market and allow sites already purchased to be progressed for development at the current rates. Market participants could factor-in the new rates into investment and purchase decisions. It would also allow landowner expectations to adjust.

### Clause 7.13B Contributions

A clause 7.13B contributions amount is currently calculated as follows:

- For in-kind contribution (completed dwellings) - the percentage contribution rate specified in the Program, which is differentiated by precinct.
- For monetary contribution - the product of the percentage contribution rate in the Program and the dollar rate (which is based on the LGA median strata dwelling price) and is currently inform across the LGA.

The Study recommends amending the dollar rate to similar precinct rates as clause s7.13 as well as simplifying the multiple percentage contribution rates in the Program to - 20% (residential) and 2% (non-residential in the Central precinct).

This would result in a flat % rate, with the overall contribution differentiated by precinct dollar rate - which is intended to reflect the residential pricing hierarchy across the LGA. The approach seeks to achieve an equitable outcome across the LGA - that regardless of location, Planning Proposal land make the same proportion (%) of Affordable Housing contributions per additional GFA enabled by a planning proposal.

While a proponent would be aware of the inherent risk in a planning proposal, a gradual implementation period would allow planning proposals already in train to be progressed and eventually developed at the current rates. Market participants could factor-in the new rates into investment and purchase decisions. It would also allow landowner expectations to adjust.

It is relevant to note that compared to development applications, Planning Proposal land plays only a minor role in the City's development supply.

### CHP Requirements and Form of Contributions

Not all forms of in-kind contribution result in optimum affordable housing outcomes. To decide on the most appropriate form of contribution, it is necessary to understand the CHP sector, their resources and how they operate.

CHPs generally operate in a not-for-profit sector and have tax advantages. They are exempt from GST, land tax and in some cases local contributions. A CHP can generally build dwellings for a cheaper cost than a developer can.

In the absence of any regular/ recurrent funding, CHPs rely on Government capital grants and funding subsidy programs (such as NRAS), developer contributions and mixed tenure developments where market housing is either sold or rented at market rents to cross-subsidise or fund delivery of affordable housing elsewhere.

CHPs who have a large balance sheet (from a large housing asset base) have the potential to use debt finance to undertake development activity (secured against their balance sheet). They however need to be able to service that debt - generally from operating surpluses (the amount that rental income exceeds rental management expenses) in the business.

Developer (cash) contributions and concessional land purchases are valuable sources of funds, particularly where rents are income-based and do not grow commensurate with the cost to operate the dwellings. By using their structural tax advantages, CHPs can combine cash or land contributions received to build new stock in a cost-effective manner.

Atlas' work with CHPs overwhelmingly shows that strata titled units designed for the purchaser market are not preferred by CHPs. They are not suitable from a tenant requirement and management perspective. For example, luxury kitchen appliances are expensive to install and to maintain. Further, strata levies erode rental income otherwise received by a CHP.

CHPs prefer separation of ownership and actively seek to have input into the design of the dwellings. In particular:

- They prefer dwellings held under Torrens title (rather than strata title or 'salt and peppered' throughout a development) as this enables autonomy of, and more effective management post-completion. This also enables holistic review of rents and operating costs to ensure appropriate level of services and monitor financial sustainability.
- During design, CHPs incorporate features suitable to the needs of expected tenant cohorts. The use of materials and finishes that are robust and cost-effective ensure functionality and cost-effectiveness during management.

Contributions to the CHP sector will assist to build their balance sheet and enable them to grow. This would leverage the structural advantages that the CHP sector brings to development and management of housing (being tax concessions, exemptions, and 'know-how'). Direct distribution to a CHP will result in greater affordable housing outcomes compared to when CHPs are merely engaged to manage the dwellings at a fee-for-service.

**Application to Build-to-rent Housing and Co-Living Development**

In the interest of encouraging the fledgling Build-to-rent (**BtR**) and co-living sectors, a fixed term moratorium to new Affordable Housing rates could be considered. These developments would be subject to current rates during that time.

## 6.4 Steps for Implementation

The Study shows the role that gradual implementation can play in mitigating adverse feasibility impact. This allows:

- Sites already purchased to be progressed for development and those in the pipeline to be delivered.
- Market participants to factor-in the new Affordable Housing charges in their due diligence and purchase negotiations.
- Development momentum that is building in certain markets to continue.

As with all contributions policy, landowner expectations and market behaviour adjust over time. Though, in established urban areas like the Study Area, property values will only adjust to the extent of their existing use.

Implementation that provides clear notice to the market will ensure any adverse impact to future investment can be mitigated as far as possible. The impact testing shows that gradual ***staging*** of the new contributions/ charges is critical.

In a buoyant market, competition for development opportunities is keen. In a rising market, developers are generally more willing to pay premiums for sites in anticipation that rising end sale values will help offset the cost of land. As the impact testing shows, rising end sale values (a result of natural market cycles) also help to offset the impact of the new charges.

In a flat/ softening market, willingness to pay increased contributions will be lower, which underscores the importance of advance notice, enabling appropriate pricing for site consolidation.

### Precinct-based Rates and Phasing-in

The Study recommends the adoption of precinct-based rates to recognise the price hierarchy between sub-markets.

**Table 6-1: Recommended Implementation of New Rates**

| Contribution | % Rate | Equivalent Dollar Rate ($/sqm GFA)^ | Phasing-in (from Council adoption)^^ |
|---|---|---|---|
| Clause 7.13* | • 1% non-residential (no change)<br>• 3% residential (no change) | • Central - $17,500<br>• East - $20,000<br>• West - $15,000<br>• South - $12,500 | Start Year 1 and 2 - 0%<br>Start Year 3 and 4 - 50%<br>Start Year 5 - 100% |
| Clause 7.13B** | • 20% residential (all precincts)<br>• 2% non-residential (Central precinct only) | | |

*applicable on total GFA except in Central Sydney and Residual Land where the % requirement is applied to new and more intensely used floor area

**applicable on new/ additional GFA which is achieved/ enabled by a planning proposal

^indexed annually in accordance with the method of indexation set out in the City of Sydney Affordable Housing Program

^^full implementation of Affordable Housing rates in 4 years (after the formal exhibition and adoption by Council of changes)

Source: Atlas

Equivalent Dollar Rates by Gross Floor Area (sqm)

The Study recommends transitioning away from dollar rates applied to TFA to dollar rates applied to GFA. This is because:

- It is easier for the market to understand (given that apartments are generally traded on $/sqm internal rates). Internal rates could be converted to $/sqm GFA by adopting a generic efficiency factor.
- It would simplify the development assessment process where GFA is a lodged metric of development.

A contribution based on GFA rates does not remove the requirement for ancillary areas to be delivered (in an in-kind contribution). If a 'standard' apartment in a development has a balcony, car space, storage area, etc., these areas should form part of the in-kind contribution of the dwelling on completion.

**Table 6-2** illustrates the transition from current TFA rates to alternate GFA rates over a four-year period. When the LEP is made, GFA rates would apply to new development applications and begin to phase-in (50% in Year 2 and fully implemented by Year 4).

The calculations in **Table 6-2** are based on the current dollar rates (column a) which are converted to an equivalent GFA rate (column b). Columns c and d show the new dollar rates when phased-in at the specified milestones (from the current rates). In reality however, the current rates could be subject to several indexation reviews before the LEP is made. The eventual transitioned rates would ultimately be based off the prevailing 'current' rates when the LEP is made.

**Table 6-2: Example Transition of Equivalent Dollar Rates (from 1 March 2024 rates)**

| Precinct | Current Rates (1 Mar 24 to 28 Feb 25) | Alternate Rates ($/sqm GFA) | | |
|---|---|---|---|---|
| | (a) | (b) = (a x 110%) | End of Year 2<br>(c) = [b + ((d – b) x 50%)] | End of Year 4*<br>(d) |
| Central | $11,176 | $12,294 | $14,897 | $17,500 |
| East | $11,176 | $12,294 | $16,147 | $20,000 |
| West | $11,176 | $12,294 | $13,647 | $15,000 |
| South | $11,176 | $12,294 | $12,397 | $12,500 |

*the recommended rates (in $2024 terns) are not indexed to the year of implementation
Source: Atlas

The Study is aware of the City's desire to encourage and enable BtR housing and co-living development as asset classes to establish. While implementation of new Affordable Housing rates is introduced over several years, a moratorium for BtR and co-living could be considered wherein the current rates still apply during the implementation period.

Contributions In-kind (Completed Dwellings)

The implementation of new Affordable Housing rates would make the contribution rates more equivalent to in-kind contributions, potentially lead to more contribution of completed dwellings. Depending on the size of the development, the contribution of dwellings could be nominal (one or two dwellings.

The Study recommends the City consult extensively with CHPs to understand their operational requirements and appetite to receive strata titled dwellings that are dispersed across the LGA and that could include luxury product. This could lead to further detail provided in the Program about the acceptability of in-kind contributions.

# References

City of Sydney Council (2023). *City of Sydney Affordable Housing Program*. Adopted 26 June 2023. Accessible here: https://www.cityofsydney.nsw.gov.au/affordable-housing-contributions/city-of-sydney-affordable-housing-program

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# Schedules

SCHEDULE 1

# Analysis of Market Activity

## Residential Sales Activity

A review of residential sales activity analyses a mix of recently completed and off-the-plan sales in the Study Area. Informal enquiries to marketing agents indicate market response and purchaser cohorts.

### Central Precinct

Few new projects have been recently completed in the Sydney CBD. These include the Greenland Centre, 111 Castlereagh and Sirius developments. The developments range up to 67 storeys and offer premium residential product with a high level of building amenity and city/ harbour views.

**Table S1-1: Off-the-Plan/ Recently Completed Apartments, Central Precinct**

| Address | Sale Price Range | Net Saleable Area (NSA) | $/sqm NSA |
|---|---|---|---|
| **'Sirius', 2-60 Cumberland St, The Rocks** | | | |
|  | 1b: $2.5m to $3.5m<br>2b: $3m to $3.5m<br>3b: $5m to $15m | 60sqm to 195sqm | $41,500 to $77,000 |
| Premium apartment complex to deliver a mix of 1-3 bedroom units. The development provides easterly views to the Sydney Opera House and is 750m northwest of the Circular Quay light rail stop.<br>To date, only 4 of the 76 units remain for sale off-the-plan, with the majority sold to wealthy owner-occupiers and international investors. Limited car parking is provided, mostly for units over $5m. Completion is expected late 2024.<br>Sale prices of the apartments generally range from $40,000/sqm to $54,500/sqm, with higher rates reflecting sub-penthouse/ penthouse units on the upper levels. | | | |
| **111 Castlereagh St, Sydney** | | | |
|  | 1b: $2.1m to $2.3m<br>2b: $3.1m to $5.95m<br>3b: $5.85m to $9.95m | 62sqm to 152sqm | $27,500 to $64,500 |
| Circa 20 storey development to deliver 98 apartments in a mix of 1-, 2- and 3- bedroom units. Situated above the former David Jones department store with views over Hyde Park and beyond to Sydney Harbour.<br>Car parking is generally limited to a few 2-bedroom units, including up to 2 car spaces for 3-bedroom units. A price difference of $250k to $600k is observed for car parking inclusion, with greater price variance for 3-bedroom units.<br>Marketing commenced in December 2022 with over 50% sold thus far. Local downsizers are the primary buyer cohort, many relocating from the Eastern Suburbs or North Shore. | | | |

| Address | Sale Price Range | Net Saleable Area (NSA) | $/sqm NSA |
|---|---|---|---|
| **'Greenland Centre', 115-119 Bathurst St, Sydney** | | | |
|  | 1b: $1.05m to $1.15m<br>2b: $2.1m to $3.375m<br>3b: $3.68m to $4.95m | 52sqm to 169sqm | $22,000 to $39,000 |
| Circa 2021 mixed use development comprising ground floor retail and 479 apartments over 67 storeys. Apartments on the upper levels provide panoramic views of the CBD, Blue Mountains, Hyde Park and Sydney Harbour. The residences comprise a high standard of finish with decked balconies and a range of building amenities including an indoor-outdoor pool, gym, sauna and spa, sun deck and multi-function residents' room. It also provides direct access to the adjoining 5-star Primus Hotel with rooftop bar and pool.<br>The project attracted significant market interest during its off-the-plan campaign, with over 95% of the 250 apartments sold in its initial release stage. Buyers included a mix of local and international purchasers. | | | |
| **'Darling Square', 35 Tumbalong Bvd, Haymarket** | | | |
|  | 1b: $680,000 to $1.1m<br>2b: $1.6m to $2.1m<br>3b: $3.7m to $4.3m | 44sqm to 170sqm | $14,000 to $38,000 |
| Darling Square is a large-scale development comprising 6 residential buildings ranging 8 to 40 storeys, totalling ~1,500 apartments and 29 retail tenancies. The project was progressed across several stages, reaching completion in 2019. Off-the-plan sales commenced circa 2016, with sale prices ranging from $630,000 for studio units to $3.5m for 3- bedroom penthouse units. The project attracted significant market interest during its off-the-plan campaign, with several stages selling out upon public launch. The vast majority of buyers were local residents; with offshore buyers representing ~25% of purchasers.<br>Building amenities include a rooftop garden, gym, pool, BBQ facilities and private resident's park. Recently re-sales indicate strong price growth compared to the off-the-plan sale prices. Purchasers are particularly drawn to the open space provisions, rich retail amenity and community facilities (i.e. library) located within and close to the development. | | | |

Source: Various

The off-the-plan apartment sale prices in the Central Precinct (Sydney CBD) are upwards of $25,000/sqm of NSA (or upwards of $21,500/sqm GFA in equivalent terms). Sale prices generally increase with building level and unit type, with some larger 3-bedroom units capable of achieving rates of beyond $60,000/sqm of NSA (or $50,000/sqm GFA).

Informal discussions with selling agents who are active in the CBD reveal that Unit 901 in Sirius is on the market with an asking price of $15m, reflecting a rate of $76,920/sqm NSA. The unit is a sub-penthouse with premium inclusions such as fully-integrated appliances, underfloor heating, home automation controls and a private plunge pool. This represents the top end of luxury residential product.

Recent re-sales within the Greenland Centre indicate sale prices ranging $22,000/sqm to $39,000/sqm NSA (equivalent to $18,000 to $33,000/sqm GFA). The upper-level units comprise mostly 3-bedroom floorplans with excellent city harbour views, achieving values over $30,000/sqm NSA.

Residential prices in the southern portion (Haymarket) of the Sydney CBD are generally at the lower end of the price range. Recent re-sales within the Darling Square development reflect prices ranging from $14,000/sqm to $38,000/sqm NSA. The upper value range reflects units on higher building levels, typically Levels 20 to 40. These units benefit from harbour and city views, which attract a price premium. Overall, recent re-sale prices average ~$18,000/sqm NSA (equivalent to $15,300/sqm GFA).

East Precinct

Examples of new residential projects in the East Precinct are '1 Onslow Place' in Elizabeth Bay and 'Nautique' in Rushcutters Bay. These developments are luxury builds targeted at the high-end market.

**Table S1-2: Off-the-Plan/ Recently Completed Apartments, East Precinct**

| Address | Sale Price Range | Net Saleable Area (NSA) | $/sqm NSA |
|---|---|---|---|
| **1 Onslow Pl, Elizabeth Bay** | | | |
|  | 3b: $8.25m to $12.5m | 124sqm to 206sqm | $55,000 to $66,500 |
| Situated 1km north of the Kings Cross train station. The development comprises an existing, older style building which is being completely refurbished to accommodate six, 3-bedroom apartments. This includes 5 full-floor apartments and a double storey penthouse with a private pool. All units include secure, double car parking accessed via car lift and turning circle. Premium standard of finishes with wrap around balconies with views over Elizabeth Bay, Calcutta marble benchtops and fully integrated high-end appliances.<br>The development is understood to have received very strong market interest. Off-the-plan marketing commenced late 2023, with 3 of the 6 apartments sold thus far. Completion is expected to occur in 2025. | | | |
| **'Nautique', 100 Bayswater Road, Rushcutters Bay** | | | |
|  | 1b: $1.1m to $1.7m<br>2b: $2.35m to $2.9m<br>3b: $5m to $10m | 47sqm to 166sqm | $22,000 to $64,500 |
| Situated west of the Rushcutters Bay Park with northerly harbour views, the development will comprise 123 apartments in a mix of 1-3 bedroom units over 8 storeys. Communal facilities include a rooftop pool, double-height lobby and 24/7 concierges service, and ground floor cafe and wine bar. Purchasers also receive a one-year membership to the Vault Hause Group. Each unit will comprise a premium fit-out with engineered oak flooring, large living spaces and a range of integrated appliances.<br>The project is underway with completion imminent. Off-the-plan sales commenced late 2021, with over 50% of units sold within its initial week of launching. Buyers are predominantly owner occupiers including young professional couples, small families and wealthy downsizers. Purchasers are drawn to its surrounding retail amenity in Potts Point, exclusive membership and premium building fit-out. | | | |

| Address | Sale Price Range | Net Saleable Area (NSA) | $/sqm NSA |
| --- | --- | --- | --- |
| **‘East Sydney Collection’, 22-38 Yurong St, Darlinghurst** | | | |
|  | $1.27m to $6.5m | 70sqm to 245sqm | $18,000 to $26,500 |
| Brand new, 4-level development comprising 27 residences including a mix of lofts, apartments and terraces. Communal facilities include an expansive rooftop garden. Units are provided views of Hyde Park, St Marys Cathedral and the city skyline.<br>The development includes 1-3 bedroom floorplans with sale prices ranging approximately $1.3m to $6.5m. Dwelling inclusions comprise herringbone parquetry flooring, stone benchtops and V-ZUG appliances.<br>The development is some 600m northeast of the Museum train station, with buyers understood to be attracted to the city-fringe location, surrounding retail amenity and public transport access. | | | |
| **Various modern developments, Darlinghurst and Surry Hills** | | | |
| <br>Top to bottom (clockwise): 18 Neild Ave in Darlinghurst, 81 Foveaux St, 228 Elizabeth St and 8 Fitzroy Pl in Surry Hills | 1b: $870,000 to $1.1m<br>2b: $1.2m to $1.7m<br>3b: $1.8m to $1.85m | 48sqm to 118sqm | $13,000 to $23,000 |
| Whilst many residential developments in the East Precinct reflect boutique, premium developments, there are also several modern developments which comprise a mid-range finishing. These are generally located in in-land areas such as Darlinghurst and Surry Hills. Building amenities are minimal and include communal rooftop terraces and BBQ facilities. Apartments within these developments generally do not comprise any notable city or waterfront views. If provided, city views are generally limited to the communal rooftop area.<br>Analysis of recent re-sales within these developments reflect a price range from $13,000/sqm to $23,000/sqm NSA, or some $20,000/sqm NSA on average. | | | |

Source: various

New apartments in the East Precinct generally attract sale prices upwards of $20,000/sqm NSA (upwards of $17,000/sqm GFA). The lower price range is reflective of smaller units on lower building levels. These units can lack notable views and are typically marketed as an entry point to the East Precinct to international/ local investors.

Waterfront developments are typically positioned at the premium end of the market, providing luxury inclusions and excellent harbour/ city views. Notably, new penthouse-style units within these waterfront developments have achieved rates over $60,000/sqm NSA (equivalent to $50,000/sqm GFA). These are larger, 3-bedroom floorplans which attract a mix of small families, young professional couples and wealthy downsizers.

### West Precinct

There are very few apartment projects being marketed off-the-plan. Some recently completed developments are considered.

**Table S1-3: Modern/ Recently Completed Apartments, West Precinct**

| Address | Sale Price Range | Net Saleable Area (NSA) | $/sqm NSA |
|---|---|---|---|
| **'The Wentworth', 48-64 Wentworth Park Rd, Glebe** | | | |
|  | 1b: $1.1m to $1.6m<br>2b: 1.5m to $1.95m | 76sqm to 96sqm | $14,500 to $20,500 |
| Newly completed 'New York' style, boutique apartment development. Fronts Wentworth Park, 550m east of the Glebe light rail stop.<br>The development comprises 36 units in a mix of 1- and 2- bedroom floorplans, most of which include car parking. Communal facilities include shared workspace and lift access. Market investigations indicate a broad mix of buyers, many of whom are drawn to the public transport accessibility and proximity to the Sydney CBD. | | | |
| **2 Jones Bay Rd, 25 Bowman St. 2 Distillery Dr,<br>8 Darling Island Dr and 108 Miller St** | | | |
|  | 1b: $1.4m to $1.5m<br>2b: $3.1m to $3.4m<br>3b: $2.45m to $4.15m | 50sqm to 130sqm | $21,000 to $33,000 |
| There are very few recently completed apartment developments in Pyrmont. Apartment developments comprise a mix of building densities and standard of finishes. These include warehouse conversions and modern apartment buildings.<br>Overall, apartment sale prices in Pyrmont typically average $20,000/sqm to $25,000/sqm of NSA, with higher rates reflective of high-end projects with excellent waterfront positions (i.e. The Revy at 8 Darling Island Road). | | | |

Source: Various

The West precinct encompasses the markets of Pyrmont, Ultimo, Glebe and parts of Chippendale. Good public transport accessibility, a number of major universities and close proximity to the Sydney CBD remain major drawcards for the local apartment market, attracting a broad mix of buyers.

The waterside locations of Pyrmont and Glebe attracts the highest price points across the Western precinct, with apartments typically achieving prices of $20,000/sqm of internal area. Recent off the plan sales at 'The Wentworth' in Glebe have been achieving price points ranging from $15,000/sqm to $20,500/sqm (averaging around $18,000/sqm).

New apartments in the West Precinct would be expected to average $18,000/sqm to $20,000/sqm (equivalent to $15,000/sqm to $17,000/sqm GFA). Slightly higher pricing could be achieved albeit likely requiring longer marketing periods.

South Precinct

Numerous new apartment developments are underway across the South precinct.

**Table S1-4: Off-the-plan/ Recently Apartments, South Precinct**

| Address | Sale Price Range | Net Saleable Area (NSA) | $/sqm NSA |
|---|---|---|---|
| **'Arbor', 57 Ashmore St, Erskineville** | | | |
|  | 1b: $725k to $785k<br>2b: $1m to $1.1m<br>3b: From $1.7m | 70sqm to 100sqm | $13,600 to $16,000 |
| 'Arbor' will comprise an 8-storey mixed use development with ground floor retail, onsite childcare centre and upper floor apartments. The development is situated 750m southwest of the Erskineville train station. Completion is expected early 2025. | | | |
| **'The Frederick', 77-93 Portman St, Zetland (Completed)** | | | |
|  | 1b: From $780k<br>2b: From $1.35m<br>3b: $1.745m to $2.045m | Average<br>50sqm to 110sqm | Average<br>$15,500 to $19,000 |
| Situated in the Green Square Town Centre. Development to deliver 151 apartments in a mix of 1-3 bedroom apartments in 23 storeys.<br>The high rise built form provides upper floor units with view of the city skyline and nearby parklands. Building amenities include a gym, well-being studio, co-working business lounge and club lounge with panoramic views of Sydney.<br>'The Frederick' represents the first of four residential buildings in the masterplan; and will be co-located with other retail/ recreational land uses in the precinct.<br>Buyers are understood to be predominantly drawn to the amenity-rich location supported by public transport, leisure, health and education facilities. | | | |

The South precinct broadly encompasses Erskineville, Newtown, Redfern and the Green Square urban renewal area. In the last decade, the South precinct has recorded significant growth in high density development, particularly as Green Square and the Ashmore precincts have become progressively delivered. The apartment market attracts a broad mix of buyers. These include single professionals and couples, families, downsizers and both domestic and international investors. It is notably more affordable than other parts of the Sydney LGA and does not attract the luxury product and pricing observed in the Central and East precincts.

The majority of new apartments across the South precinct achieve price points averaging $15,000/sqm of NSA (equivalent to $12,800/sqm GFA). This includes sale prices achieved for the final release of the Ashmore precinct ('Abor') in Erskineville. Higher price points are observed for more premium developments such as 'The Frederick' at Green Square (located within the Green Square Town Centre), which has achieved prices of up to $19,000/sqm of NSA. This represents the upper range of values in the precinct. Higher price points generally reflect developments which provide good views, enjoy public transport accessibility and have higher standard of building inclusions.

SCHEDULE 2

# Generic Feasibility Analysis Assumptions

## Development Typologies and Yields

Land use scenarios for the purposes of examining the impact of alternate contribution rates on development feasibility.

**Table S2-1** summarises the scenarios for testing the broad-based contribution rates (clause 7.13) and **Table S2-2** summarises the scenarios for testing the Planning Proposal contribution rates (clause 7.13B).

**Table S2-1: Notional Development Scenarios, Compliant with LEP**

| Precinct | Suburb | Site Area (sqm) | Zone | Notional Development and Yields | Density |
|---|---|---|---|---|---|
| Central | City Core | 2,000 | SP5 | Commercial, 27,500sqm commercial GFA | FSR 13.75:1 |
| | Midtown | 2,000 | SP5 | Mixed use residential, 21,120sqm GFA | FSR 10.56:1 |
| | Southern | 2,000 | SP5 | Mixed use residential 17,600sqm GFA | FSR 8.8:1 |
| East | Elizabeth Bay | 470 | R1 | RFB (part refurb, part development), 1,175sqm GFA | FSR 2.5:1 |
| | Darlinghurst | 400 | MU1 | Mixed use residential, 960sqm GFA | FSR 2.4:1 |
| West | Glebe | 800 | MU1 | Mixed use residential, 1,600sqm GFA | FSR 2.0:1 |
| | Pyrmont | 500 | MU1 | Mixed use residential, 1,520sqm GFA | FSR 3.0:1 |
| South | Waterloo | 16,900 | MU1 | Mixed use residential, 34,500sqm GFA | FSR 2.0:1 |
| | Beaconsfield | 480 | R1 | Medium density residential, 488sqm GFA | FSR 1.0:1 |
| | Alexandria | 3,200 | E4 | Mixed business/ enterprise, 4,000sqm GFA | FSR 1.25:1 |

**Table S2-2: Notional Development Scenarios, Planning Proposals**

| Precinct | Suburb | Site Area (sqm) | Zone | Notional Development and Yields | Base Density | Planning Proposal |
|---|---|---|---|---|---|---|
| Central | City Core | 2,000 | SP5 | Commercial, 38,500sqm commercial GFA | FSR 13.75:1 | FSR 19.25:1 |
| | Midtown | 2,000 | SP5 | Mixed use residential, 23,120sqm GFA | FSR 10.6:1 | FSR 11.6:1 |
| | Southern | 2,000 | SP5 | Mixed use residential 19,600sqm GFA | FSR 8.8:1 | FSR 9.8:1 |
| East | Elizabeth Bay | 470 | R1 | RFB (part refurb, part development), 1,410sqm GFA | FSR 2.5:1 | FSR 3.0:1 |
| | Darlinghurst | 400 | MU1 | Mixed use residential, 1,120sqm GFA | FSR 2.4:1 | FSR 2.8:1 |
| West | Glebe | 800 | MU1 | Mixed use residential, 2,000sqm GFA | FSR 2.0:1 | FSR 2.5:1 |
| South | Waterloo | 16,900 | MU1 | Mixed use residential, 43,000sqm GFA | FSR 2.0:1 | FSR 2.5:1 |

Source: Atlas

We highlight that development types tested are ***not*** urban design or capacity tested. They are developed from observations of development activity in the Study Area for the purposes of testing the impact of alternate contribution rates.

## Revenue Assumptions

Efficiency ratios are used to convert GFA to net saleable (NSA) for residential (85%) and net lettable area (NLA) for commercial (90%). Revenue assumptions are then applied to the converted saleable/ lettable areas.

Revenue assumptions are developed based on a market appraisal undertaken for each of the selected locations.

Residential

**Table S2-3** shows the residential revenue assumptions adopted for notional development scenarios compliant with the LEP.

**Table S2-3: Revenue Assumptions, Notional Scenarios Compliant with LEP**

| Precinct | Suburb | Notional Development and Yields | Revenue Assumptions |
|---|---|---|---|
| Central | City Core | Commercial, 27,500sqm commercial GFA | Not applicable |
| | Midtown | Mixed use residential, 151 units | \$35,000/sqm to \$45,000/sqm NSA |
| | Southern | Mixed use residential, 142 units | \$20,000/sqm to \$22,000/sqm NSA |
| East | Elizabeth Bay | RFB (part refurb, part development), 6 units | \$45,000/sqm to \$55,000/sqm NSA |
| | Darlinghurst | Mixed use residential, 12 units | \$18,000/sqm to \$24,000/sqm NSA |
| West | Glebe | Mixed use residential, 20 units | \$16,000/sqm to \$18,000/sqm NSA |
| | Pyrmont | Mixed use residential, 19 units | \$20,000/sqm to \$22,000/sqm NSA |
| South | Waterloo | Mixed use residential, 368 units | \$15,000/sqm to \$18,000/sqm NSA |
| | Beaconsfield | Medium density residential, 3 dwellings | \$12,000/sqm to \$14,000/sqm NSA |
| | Alexandria | Mixed business/ enterprise, 4,000sqm GFA | Not applicable |

Source: Atlas

**Table S2-4** shows the residential revenue assumptions adopted for notional development scenarios for Planning Proposals.

**Table S2-4: Revenue Assumptions, Notional Scenarios of Planning Proposals**

| Precinct | Suburb | Notional Development and Yields | End Sale Values |
|---|---|---|---|
| Central | City Core | Commercial, 38,500sqm commercial GFA | Not applicable |
| | Midtown | Mixed use residential, 176 units | \$35,000/sqm to \$45,000/sqm NSA |
| | Southern | Mixed use residential, 169 units | \$20,000/sqm to \$22,000/sqm NSA |
| East | Elizabeth Bay | RFB (part refurb, part development), 8 units | \$45,000/sqm to \$55,000/sqm NSA |
| | Darlinghurst | Mixed use residential, 14 units | \$18,000/sqm to \$24,000/sqm NSA |
| West | Glebe | Mixed use residential, 25 units | \$16,000/sqm to \$18,000/sqm NSA |
| South | Waterloo | Mixed use residential, 460 units | \$15,000/sqm to \$18,000/sqm NSA |

Source: Atlas

Non-residential

**Table S2-5** shows the non-residential revenue assumptions adopted for development scenarios compliant with the LEP.

**Table S2-5: Revenue Assumptions, Notional Scenarios Compliant with LEP**

| Precinct | Suburb | Notional Development and Yields | Revenue Assumptions |
|---|---|---|---|
| Central | City Core | Commercial, 27,500sqm commercial GFA | Avg. Net Rents \$1,000/sqm to \$1,400/sqm NLA, market capitalisation 4.5% to 5.5% |
| | Midtown | Mixed use residential, 151 units | Avg. building capital values \$16,000/sqm to \$18,000/sqm |
| | Southern | Mixed use residential, 142 units | Avg. building capital values \$12,000/sqm to \$14,000/sqm |
| East | Elizabeth Bay | RFB (part refurb, part development), 6 units | Not applicable |
| | Darlinghurst | Mixed use residential, 12 units | Avg. building capital values \$10,000/sqm |
| West | Glebe | Mixed use residential, 20 units | Avg. building capital values \$9,000/sqm |
| | Pyrmont | Mixed use residential, 19 units | Avg. building capital values \$12,000/sqm to \$14,000/sqm |
| South | Waterloo | Mixed use residential, 368 units | Avg. building capital values \$9,000/sqm to \$11,000/sqm |
| | Beaconsfield | Medium density residential, 3 dwellings | Not applicable |
| | Alexandria | Mixed business/ enterprise, 4,000sqm GFA | Avg. Net Rents \$400/sqm to \$500/sqm NLA, market capitalisation 5.5% to 6.5% |

Source: Atlas

**Table S2-6** shows the non-residential revenue assumptions adopted for the notional development scenarios for Planning Proposals.

**Table S2-6: Revenue Assumptions, Notional Scenarios of Planning Proposals**

| Precinct | Suburb | Notional Development and Yields | End Sale Values |
|---|---|---|---|
| Central | City Core | Commercial, 38,500sqm commercial GFA | Avg. Net Rents $1,000/sqm to $1,400/sqm NLA, market capitalisation 4.5% to 5.5% |
| | Midtown | Mixed use residential, 176 units | Avg. building capital values $16,000/sqm to $18,000/sqm |
| | Southern | Mixed use residential, 169 units | Avg. building capital values $12,000/sqm to $14,000/sqm |
| East | Elizabeth Bay | RFB (part refurb, part development), 8 units | Not applicable |
| | Darlinghurst | Mixed use residential, 14 units | Avg. building capital values $10,000/sqm |
| West | Glebe | Mixed use residential, 25 units | Avg. building capital values $9,000/sqm |
| South | Waterloo | Mixed use residential, 460 units | Avg. building capital values $9,000/sqm to $11,000/sqm |

Source: Atlas

Other revenue assumptions:

- 50% of dwellings are pre-sold prior to construction and the balance sold on completion at a rate of 4-12 dwellings per month (depending on location).
- For the non-residential in a mixed use development, sale is assumed to occur as development nears completion.
- GST is included on the residential sales but excluded on non-residential sales.
- Marketing costs assumed at 1%-2% of gross sales revenue (depending on scale) and legal costs at $1,500 per dwelling.
- Sales commission at 2.5% of gross residential sales and 1.5%-2.0% of non-residential sales (depending on scale).

## Cost Assumptions

Cost assumptions are generic in nature and based on a review of DAs, past experience and industry cost publications.

- Legal and due diligence costs assumed at 1% of land cost and is assumed to be paid on exchange in Month 1.
- The site is assumed to be appropriately zoned with design and development planning immediately upon settlement.
- Building areas (where applicable) are calculated by applying a generic 110%-115% ratio to GFA to which construction costs are applied.
- Construction costs are estimated with reference to past experience and cost publications:
    - Residential construction assumed at $4,000/sqm to $6,000/sqm, and up to $10,000/sqm of building area (depending on location), balconies at $1,000/sqm.
    - Commercial construction assumed at $5,500/sqm of building area.
    - Industrial construction assumed at $1,000/sqm to $1,500/sqm of building area.
    - Basement car parking at $60,000 to 70,000 per car space.
- Provisional allowance for landscaping costs at $1,000/sqm.
- Professional fees at 8%-9% of construction costs depending on land use scenario.
- Development management fee of 1%.
- Construction contingency at 5%.
- Statutory fees:
    - DA fees of 1% and CC fees of 0.5% of construction costs.
    - Long service levy of 0.25% of construction costs.

- Local contributions based on:
  - s7.12 rates in Central Sydney (3% on cost of development)
  - s7.12 rates for rest of Study Area (Studio/ 1 bedroom - $15,206, 2 and 3 bedroom - $20,000)
- Affordable Housing (current dollar rates) - $11,176.2/sqm TFA (equivalent to $12,294/sqm GFA)
- Housing and Productivity contributions:
  - Residential units - $10,000 per dwelling
  - Retail/ commercial - $30/sqm GFA
  - Industrial - $15/sqm GFA

- Holding costs including land tax, Council and water rates.
- 100% debt funded with interest capitalised monthly (nominal 7% per annum)
- Finance establishment cost of 0.35% of peak debt.

## Hurdle Rates and Performance Indicators

Target hurdle rates are subject to perceived risk of a project (planning, market, financial and construction risk)., The higher the project risk, the higher the hurdle rate. The following performance indicators are relied upon:

- Development margin is profit divided by total development costs (including selling costs).
- Discount rate refers to the project internal rate of return (IRR) where net present values of an investment is zero.
- Residual Land Value is arrived at by assessing the maximum land value a developer is willing to pay based on both hurdles of development margin and discount rate being met.

The following benchmark hurdle rates are assumed.

**Table S2-7: Performance Indicators and Target Hurdle Rates**

| Performance Indicator | Commercial and Residential | | | Industrial | | |
|---|---|---|---|---|---|---|
| | Feasible | Marginal to Feasible | Not Feasible | Feasible | Marginal to Feasible | Not Feasible |
| Development Margin | >20% | 18%-20% | <18% | >18% | 16%-18% | <16% |
| Project Return (IRR) | >18% | 17%-18% | <17% | >18% | 16%-18% | <16% |

Source: Atlas

The adopted benchmark hurdle rates align with industry/ market expectations.

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# Attachment D

**Resolution of Council - Increasing Developer Contributions for Affordable Housing, June 2023**

# Resolution of Council

## 26 June 2023

### Item 15.8

### Increasing Developer Contributions for Affordable Housing

The original motion was moved by Councillor Ellsmore, seconded by Councillor Scott.

It is resolved that:

(A) Council note:

(i) local councils can require affordable housing contributions to be paid when development or rezonings are being undertaken in their local government area;

(ii) the City of Sydney was one of the first councils in NSW to establish an affordable housing levy. To date, the City of Sydney has collected, and passed on to a community housing provider (CHP), over $378 million in affordable housing contributions;

(i) as at June 2022, the City has contributed to 2,759 Affordable Housing dwellings either built, in the pipeline or expected. This includes:

(a) 1,376 dwellings from the City's levies,

(b) 228 from subsidised land sale (on sites in Zetland, Redfern, Alexandria and Surry Hills),

(c) 483 from our Affordable and Diverse Housing Fund (for projects in Darlinghurst, Chippendale, and Surry Hills); and

(d) 672 dwellings through other means such as Voluntary Planning Agreements (projects in Glebe and Waterloo) and our planning controls (Botany Road Precinct);

(ii) a further 1,950 Affordable Housing dwellings will result from our expanded Local Government Area-wide levy scheme, which commenced on 1 July 2021;

(iii) the City of Sydney is one of the few councils in NSW to impose an affordable housing levy across the whole council area;

(iv) the City of Sydney affordable housing levy is generally one per cent of floor space for non-residential development, and three per cent of floor space for residential development. At the June 2023 Council meeting, Council considered a planning proposal which would establish the one per cent and three per cent rate consistently across the Local Government Area. Increasing the Affordable Housing contribution in Ultimo and Pyrmont will deliver approximately 250 additional Affordable Housing dwellings;

(v) in a selected number of areas (including some sites in the Botany Road corridor) where rezoning results in a residential floor space uplift, a higher Affordable Housing contribution applies;

(vi) establishing and changing an affordable housing levy requires the approval of the NSW Government. Councils can only impose an affordable housing contribution or levy through the Council's Local Environmental Plan, which must be approved by the Minister for Planning;

(vii) under the relevant legislation (the Environmental Planning and Assessment Act 1979):

(a) councils can require the contributions to be in the form of the dedication of land free of cost to be used for the purpose of providing affordable housing, or the payment of a monetary contribution to be used for the purpose of providing affordable housing, or both. The City of Sydney's scheme currently gives Council the ability to require Affordable Housing contributions, and developers can choose to either make a financial contribution or build Affordable Housing dwellings on site; and

(b) councils can only impose 'reasonable' contributions, having regard to the extent of the need in the area for affordable housing, the scale of the proposed development, and what other contributions the developer is required to make; and

(viii) the City of Sydney has been working through bodies such as the South Sydney Regional Organisation of Councils (SSROC) and Resilient Sydney to support councils seeking to develop an affordable housing levy for their local council areas;

(B) Council further note:

(i) since the City of Sydney established its affordable housing levy scheme, the affordable housing crisis has significantly worsened; and

(ii) there is a strong case to be made that more Affordable and Social Housing is desperately needed in the City; and

(C) the Chief Executive Officer be requested to:

(i) review the City's Affordable Housing contribution rates, including what changes could deliver more Affordable Housing in our area such as rate increases, changes to City policies, planning controls and rezoning proposals; and

(ii) report back to Council via the CEO Update.

The amended motion was carried unanimously.

X086659

# Attachment E

**Resolution of Council - Power to Require Affordable Housing be Built on Site by Developers, February 2024**

# Resolution of Council

## 19 February 2024

### Item 14.12

### Power to Require Affordable Housing be Built on Site by Developers

Original motion moved by Councillor Ellsmore, seconded by Councillor Weldon.

It is resolved that:

(A) Council note:

(i) Sydney is one of the most expensive cities to live in the world; with Sydney housing now estimated to be the second most expensive in the world, after Hong Kong;

(ii) despite the City of Sydney having one of the longest running and most comprehensive affordable housing strategies of any council in Australia, housing affordability in the Local Government Area (LGA) is projected to worsen unless there are major changes:

(a) to how existing public, social and affordable housing is protected; and

(b) to the planning and funding systems which determine what kinds of new housing is built, and whether any of it is public, community, affordable, or otherwise accessible to people on low and middle incomes;

(iii) the NSW Government largely controls whether and how local councils can require affordable housing to be built in new developments;

(iv) the City of Sydney has provisions in its Sydney Local Environment Plan 2012 (Sydney LEP), and the LEPs that apply to Green Square Town Centre, which allow an affordable housing levy to be imposed on development. This is one per cent of floor space for non-residential development, and three per cent of floor space for residential development;

(v) the provisions in the local environmental plans give developers the choice to meet their affordable housing contribution requirements by dedicating built housing or making a monetary contribution;

(vi) monetary affordable housing contributions paid by developers are passed to community housing providers to build or buy new, permanent affordable housing within the Local Government Area;

(vii) the City is on track to contribute to 5,213 Affordable and diverse housing dwellings in our area (in perpetuity) by 2036; and

(i) to June 2023, the City has contributed to 3,263 Affordable Housing dwellings, either built, in the pipeline or expected, including:

(a) 1,429 dwellings from $399 million in levies,

(b) 238 dwellings from $24 million in subsidised City-owned land sales,

(c) 483 dwellings from $10 million in City grants to not-for-profit housing providers from our Affordable and Diverse Housing Fund; and

(d) 1,113 dwellings through Voluntary Planning Agreements and our planning controls and by other means;

(B) Council further note:

(i) to date, only one Voluntary Planning Agreement has been entered into, in which a developer has committed to deliver their affordable housing contributions in the form of housing – that is, to build affordable housing on site;

(ii) the City has entered into other Voluntary Planning Agreements for affordable housing delivery at Harold Park (land only) and on Bay Street, Glebe (now built housing), however this housing was not associated with any requirement in the LEPs at that time;

(iii) in 2023, Meriton made a commitment to the community and to Council that it would build an affordable housing building on site, at 118-130 Epsom Road and 905 South Dowling Street, Zetland in partial satisfaction of the affordable housing requirement under the LEP;

(iv) Council approved the planning proposal to rezone the Suttons site, subject to Meriton's last minute offer to deliver affordable housing on site. Meriton later withdrew its offer, and advised it won't be building any affordable housing, and instead will provide a financial affordable housing contribution, estimated to be $29 million; and

(v) Council cannot require the developer to deliver affordable housing on site, under the City's current planning rules;

(C) in June 2023, Council resolved to request the Chief Executive Officer to review the City's Affordable Housing contribution rates, including what changes could deliver more Affordable Housing in our area such as rate increases, changes to City policies, planning controls and rezoning proposals. Staff have commenced this review; and

(D) the Chief Executive Officer be requested to:

   (i) as a priority, report back on the findings of the City's review and advise Council of options, including drafting a planning proposal to amend the City of Sydney's Local Environment Plan 2012, and related documents as needed, to give the City of Sydney the ability to require that affordable housing contributions be delivered in the form of land or buildings on site, in appropriate developments; and

   (ii) provide advice to Council as to stakeholders and others which the Council should seek advice, or otherwise consult with, about the proposed changes including Community Housing Providers.

The amended motion was carried on the following show of hands –

Ayes (8) The Chair (the Lord Mayor), Councillors Chan, Davis, Ellsmore, Kok, Scott, Weldon and Worling

Noes (2) Councillors Gannon and Jarrett.

Amended motion carried.

X086659

# Attachment F

## Summary of consultation with community housing providers

**Attachment F – Planning Proposal: Affordable Housing Contributions Review 2024**

**Summary of consultation with Community Housing Providers (CHPs) on the dedication of affordable housing dwellings**

City officers met with representatives from the three CHPs identified on the City's *Affordable Housing Contributions Distribution Plan* to explore issues around the dedication of affordable rental units and inform new requirements in the *draft City of Sydney Affordable Housing Program*, including:

- triggers for when an affordable housing contribution is to be satisfied by the dedication of built dwellings;
- a requirement for any Recommended CHP identified in an adopted distribution plan to confirm the suitability or otherwise of any proposed affordable dwellings to be dedicated under the Program;
- an outline of the general process for involving Recommended CHPs in the development application process when affordable housing dwellings are to be dedicated; and
- the built design standards for dedicated affordable housing dwellings.

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
|---|---|---|---|
| **In-kind delivery benchmarks / metrics for financial sustainability and positive Affordable Housing outcomes**<br>• *Minimum / preferred number of dwellings or quantum of floor space*<br>• *Optimal arrangement of units on site*<br>• *Optimal access arrangements for units*<br>• *Approaches to minimise strata and maintenance fees*<br>• *Approaches to ring-fence funds in a strata complex* | The preferred unit size / quantum of floor space will depend on each community housing provider.<br><br>As well as the impact of strata costs when a CHP only takes part of a site (for example units in a block of apartments) there may be other tax breaks and rate exclusions that apply when the CHP owns the whole site that won't apply when there is mixed ownership such as rates exemption, GST exemption and no land tax. | Demand from tenants is so intense that Bridge would almost always take even a single unit, providing that the financials stack up – i.e. that it takes enough rental to cover costs.<br><br>Bridge already operates one of the largest leasehold programs in the State and lease single or multiple market units in strata buildings. Their large presence in the City of Sydney and structure of their Home Ground real estate business means | Scale is important to make sure things stack up. Single buildings, not salt and pepper in strata buildings, is best to make operational management efficient and costs of operations optimised. Duplication of management and responsibilities leads to confusion for tenants/occupiers.<br><br>Being able to establish a separate stratum, a dedicated entrance and so on can all be helpful to limit strata fees and ensure the financials work. St |

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
|---|---|---|---|
| • *Any other factors / considerations*<br>• *Circumstances where a cash contribution would be the preferred outcome* | Negotiating workable strata outcomes, durable finishes (internal and external) etc. with a third party (private) developer can take a lot of time and resources and requires development expertise.<br><br>Even when a suitable strata arrangement can be negotiated at the beginning of the process, the sector may request the ability to sell the units in the future if strata fees and costs become unworkable.<br><br>There can be unexpected, large one-off strata fees to cover issues ('faults') in the overall development which can mount up and affect the financial viability to a provider of continuing to retain the property, especially when rents in the City are capped at 30% of the household income of eligible households. This can be common if a development hasn't been delivered to a good quality or to the usual standards of a CHP, which can often differ to those of a developer. These | Bridge does not have minimum unit requirements.<br><br>Bridge would need to consider an assessment of building and property outgoings early on to ensure the subsidised rent is able to service these costs (tenancy and property maintenance).<br><br>Benchmarks for an acceptable level of strata fees may be around $1,000 to $1500 per unit per quarter (subject to further confirmation).<br><br>Bridge would need to account for the draw on time/resources to negotiate outcomes, liaise with multiple strata companies etc; any efficiencies of scale for operations; maintenance and tenant changeovers; geographical spread over LGA vs consolidated holdings etc.<br><br>These factors may be more relevant in limiting individual or smaller unit allocations.<br><br>A stratum within a strata plan is preferable, but not essential. | George's preference is a stand-alone building.<br>In St George's acquisition of a 50 key worker unit stratum at Lendlease's Barangaroo development (handover scheduled November 2024), it has taken a combination of special attention to the physical structure / form of the building and units, and legal arrangements which exclude their units from most shared facilities and limit the strata obligations in order for the ownership and management of the units/stratum/building to be financially sustainable.<br><br>Operational and management costs (tenancy, repairs, power, rates etc) cannot exceed rental revenues and need to create a surplus to establish a viable ongoing management.<br><br>If a whole building/stratum is not possible (suggest a minimum number of units – 25-30) then a cash contribution is preferable. |

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
|---|---|---|---|
| | special levies may also be required when a strata corporation defers regular maintenance items. | Bridge would explore other opportunities to limit strata fees, such as exclusion from services and facilities.<br><br>The key for Bridge will be enabling long term flexibility, through the ability to sell and leverage individual units into a single unit block – within the City of Sydney LGA – if covenants on title don't preclude this.<br><br>If the site/no of units allows then separate building will always be the preference, however where there are larger numbers of units throughout a unit block we recommend salt and pepper floors throughout the complex, rather than allocating multiple floors at lower levels, creating concentration/separation. | |
| **Design and construction quality**<br>• *Preferences for dwelling mix, layout etc.*<br>• *Preferences around material choices (external and internal) and fitout of units* | City West finds their optimal built product can differ quite significantly from what most developers deliver. The build to sell standard generally produced by developers is lower than what CHPs deliver.<br>This is understandable when developers are focussed on | Bridge's general principles for housing design include:<br>• units are to be indistinguishable from others in a development<br>• materials and finishes must be robust and hard-wearing and easily replaced/maintained | Important factors for St George are:<br>• delivery costs<br>• maintenance costs<br>• bedroom / unit mix<br>• facilities<br><br>Studio units are not preferred. |

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
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| • *Unreasonable inclusions / forced reliance on services which drive running costs*<br>• *Likelihood of dwellings being returned – what factors would come into play?* | achieving consent and a sale, not looking at a 40-year timeframe for occupation and maintenance.<br>City West favours:<br>• No gas connection as standard (to reduce service charges to tenants);<br>• Opting out of embedded networks to provide residents choice of utility providers;<br>• Features like fans and blinds as standard, rather than a reliance on air conditioning;<br>• Solar energy connections and rainwater tanks, to address BASIX over the longer-term occupation of the unit;<br>• High quality lifts, to avoid frequent maintenance and long periods of being out of service.<br><br>CWH has found demand for bedroom sizes has been consistent over the last 6 years at least. Studios should be avoided, and 1-beds should be delivered instead. CWH's | • window blinds installed and internal laundries<br>• accessible units need slightly more particular finishes (e.g. greater amounts of hard surfaces for wheelchair manoeuvrability)<br>• silver level design or higher requirements could be considered<br>• preference against bedsits/studios<br>• avoid embedded networks (gas or electricity) if the embedded network does not allow tenants to freely choose provider<br>• consider moving to 100% electric appliances, space heating and HWS (i.e. no gas)<br>• safety requirements for particular tenant cohorts can be important – e.g. fob entry.<br><br>Dwelling mix should be linked to the demographics in the area, however a mix of 1 and 2 bedroom units with a smaller proportion of studio and 3 bed should be suitable for the City of Sydney LGA – 50% to 80% 1 | |

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
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| | preferred bedroom mix to meet demand, based on extensive experience, is a one-bedroom dominant mix (50-60% 1BR, 35-40% 2BR, 10% 3BR).<br><br>A more prescriptive mix could be included in the Program to avoid negotiations on this point with developers who prefer to deliver "studios" (regardless of size) for CHPs as it saves on their costs etc.<br>If pursuing standalone buildings, then facades must be low maintenance and durable. | and 2 beds, 10% Studio and 10% 3 bed or larger as a guide.<br><br>In most respects, requirements on the developer to deliver the AH to the same standard as the market units should be sufficient.<br><br>Council should ensure that the units delivered meet the same ratio of cross ventilated, solar access units being met in the development. | |
| **Dedication process**<br>• *Methods for achieving efficient involvement in the design phase*<br>• *Issues to consider in the inspection phase*<br>• *The handover process* | If dedicated units are to be secured via VPA at PP or Stage 1, this has traditionally been negotiated between the City and the developer before a CHP can be involved.<br><br>Choice of units / buildings, parking parameters / loading and servicing zone capabilities are already pre-determined, without any consultation with the CHP and could result in a poor outcome for the provider if the implications of those decisions aren't understood. | Allow for a start-up meeting with developer to highlight project preferences and then design signoff from CHP at the concept, DA lodgement, CC lodgement phases (acting reasonably).<br><br>The CHP should attend critical inspections i.e waterproofing of units, other critical inspections to be considered.<br><br>Handover/defects inspections in house or via qualified building inspectors to confirm the | The earlier the CHP can be involved the better – for negotiations with developer and to steer the details of the delivered product. Ideally at the Design and Construction stage. |

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
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| | The initial agreement is between the developer and City – this limits the leverage of the CHP.<br><br>There needs to be early involvement by the CHP in the design and construction phase. If requiring developers to dedicate housing more frequently, City West suggests a standard template similar to the VPA works-in-kind template so that the process isn't different every time. It will also give some strength to the CHP's in negotiations.<br><br>A specification and performance schedule is also needed to capture the back end of things, as defects are not handled well in any agreement for dedication. From the City's perspective the obligation is satisfied at handover, but there can be ongoing issues for the CHP with no real leverage to resolve.<br><br>There also needs to be an ability for CHPs to inspect the works during construction to identify any issues prior to being covered up. This could be | dwellings are delivered in accordance with the contract (ensure the contract limits unit size change from DA to OC to no more than 3% to 5% or minimum under existing ADG requirements), Approved stamped plans/strata plans, and are defect free or can be defect free within an agreed time after OC is issued. | |

| Issue for Discussion | **City West Housing** | **Bridge Housing** | **St George Community Housing** |
|---|---|---|---|
| | through an independent inspector.<br><br>CWH suggests holding a bank guarantee until the end of the defects liability period to secure the commitment, strengthen the negotiations, resolve defects and provide a fallback if the end product is fit for purpose.<br>A 2-year defects period is also recommended.<br><br>City West draws attention to the fact that a good level of development knowledge is needed to negotiate with developers and achieve equitable outcomes. This will be important to consider if the City wishes to bring smaller providers into the mix. If they lack experience and end up with poor quality / financially unviable outcomes, this could be damaging to their capabilities / operations / reputation and bottom line in the future. | | |